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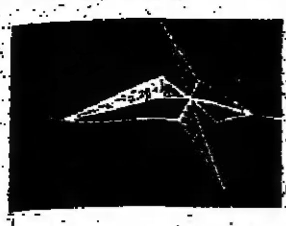

Nato's insecurity
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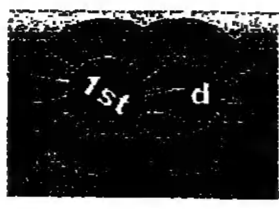

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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY DECEMBER 7 1994 D8523A

Fidelity's Magellan skips year-end cash distribution

Fidelity Investments' Magellan Fund, the US's biggest mutual fund with assets of $35bn, said it would not make a year-end distribution to its 3m investors, the first time it has not made a year-end cash payment since 1988. The news raised concerns in the stock market about the cash reserves of Magellan, which has been operating with little cash liquidity for most of this year. Fidelity, the Boston-based mutual funds group, said the lack of a cash distribution reflected US tax-accounting rules, rather than an internal decision to conserve cash. Page 17; World stocks, Page 42

Brussels doubts on Hualon aid: The European Commission is to re-examine its approval of a £61m ($95m) UK government grant for a Belfast textiles plant to be built by Hualon of Taiwan. It suspects information it received from UK authorities was inaccurate. Page 16

Germany agrees coalfield clean-up: Germany's federal and state authorities are to pay DM12bn ($7.6bn) to remove contaminated material from east Germany's brown coal, or lignite, fields and reclaim land for cultivation. Page 6

Portillo vetoes EU directive on part-timers:

UK employment secretary Michael Portillo (left) annoyed fellow European Union ministers in Brussels by vetoing a diluted EU draft directive designed to protect part-time workers. EU Social Affairs Commissioner Padraig Flynn said: "I thought what we were proposing was a bare bones minimum measure but even then the UK maintained a negative approach". Page 16; Editorial comment, Page 15

Dresdner Bank announced a sharp fall in profits for the first 10 months as weakness in world bond markets pushed its financial trading activities into the red. Page 17; Lex, Page 16; Share split, Page 18

Iberia crisis deepens: The Spanish government may be forced to intervene directly in a dispute affecting its financially crippled state airline after Iberia chairman, Javier Salas, failed to persuade the pilots' union to support a rescue plan. Page 2

According to merit: Hard-pressed managers at Matsushita, Japanese consumer electronics group, are having to face a change in a time-honoured tradition – annual bonuses are no longer to be based on years of service, but on performance. Page 16

US push on Syrian peace: US secretary of state Warren Christopher arrived in Israel from Syria as part of an intensive push by Washington to break the deadlock in talks between Jerusalem and Damascus amid pessimism on both sides. Page 4

Exxon, US energy group, said it had finalised all details of its $40bn agreement with Indonesia to develop the giant Natuna natural gas field, and dismissed industry rumours that crucial details of the deal needed to be resolved. Page 17

Boost for EU hopefuls: East European countries could expect trade concessions and a minimum of Ecu5.5bn ($7bn) over the next five years to pay for preparations to join the European Union, said chief EU trade negotiator Sir Leon Brittan. Page 2; Editorial Comment, Page 15

Scania, Swedish commercial vehicle maker, is to start assembly of buses at its plant at Angers in western France as part of the a strategy to expand its share of the west European heavy bus and coach market from 6 to 10 per cent by the end of the decade. Page 6

India's exports defy plague: India's exports soared 26.9 per cent in October to $2.2bn, confounding fears that they would be affected by the plague which hit parts of the country and caused panic around the world. Page 4

Israel looks east for exports: Israeli exports to Asia have risen by a third to $2.3bn in the first nine months of this year, highlighting the trade benefits resulting from the Middle East peace process, Israeli Treasury officials said. Page 6

Prison for Bakhtiar killing: Iranian Ali Vakili Rad was sentenced in Paris to life in prison for the 1991 assassination of Shapour Bakhtiar, the late Shah of Iran's last prime minister. Iranian Massoud Hendi was sentenced to 10 years in prison.

Death sentence for anti-abortionist: US anti-abortionist Paul Hill, a former minister, was sentenced to death in Florida for murdering an abortion clinic doctor and his escort.

■ STOCK MARKET INDICES		
FT-SE 100:	3,016.1	(-17.4)
Yield	4.27	
FT-SE Eurotrack 100	1,336.76	(-18.96)
FT-SE-A All-Share	1,497.72	(-0.6%)
Nikkei	19,340.47	(+34.81)
New York lunchtime:		
Dow Jones Ind Ave	3,744.94	(+3.02)
S&P Composite	453.75	(+0.42)
■ US LUNCHTIME RATES		
Federal Funds:	5¼%	
3-mo Treas Bills: Yld	5.958%	
Long Bond	95⅞	
Yield	7.859%	
■ LONDON MONEY		
3-mo Interbank	6⅛%	(6⅛%)
Life long gilt future:	Mar 101⅜	(Mar 101⅜)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$16.21	(16.15)
■ GOLD		
New York Comex (Jan)	$376.9	(379.1)
London	$375.2	(376.7)

■ STERLING		
New York lunchtime:		
$	1.5615	
London:		
$	1.5631	(1.5591)
DM	2.4579	(2.4542)
FFr	8.4393	(8.4281)
SFr	2.0734	(2.0708)
Y	156.764	(156.471)
£ Index	80.3	(80.1)
■ DOLLAR		
New York lunchtime:		
DM	1.57335	
FFr	5.4015	
SFr	1.3265	
Y	100.205	
London:		
DM	1.5725	(1.5741)
FFr	5.3993	(5.4058)
SFr	1.3265	(1.3282)
Y	100.255	(100.36)
$ Index	63.2	(63.3)
Tokyo close Y 100.42		

Austria	Sch32	Greece	Dr360	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.00	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)	Esc225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Ireland set for election as coalition talks fail

By John Murray Brown, Ireland Correspondent

Ireland last night seemed set for an early general election after the breakdown of talks on the formation of a new coalition. The impasse came amid fresh allegations about the role of outgoing Fianna Fail prime mister Mr Albert Reynolds in a judicial appointment scandal.

The Irish Labour party leader Mr Dick Spring announced early yesterday morning that he was abandoning talks with Fianna Fail, parliament's largest party, ahead of yesterday's scheduled session of the Dail.

Last night, Labour was trying to forge an alternative coalition with the main opposition party, Fine Gael, and one of the smaller parties. But MPs held out little hope that such a solution was feasible. If no new coalition emerges in the next few days, Mr Reynolds will be forced to dissolve parliament and call an election.

The collapse of talks comes at a critical moment in the Northern Ireland peace process just three days before the UK government starts exploratory talks with Sinn Féin, the political wing of the Irish Republican Army.

Speaking in Belfast, Sir Patrick Mayhew, the UK's Northern Ireland secretary, seemed keen to play down the crisis. However, he conceded that the delays would create a "hiatus" in the negotiations to devise a framework document which the two governments hope will form the basis for all-party talks on a constitutional settlement for Ulster.

Irish await new government ...Page 2
'Peace dividend' of $295m? ...Page 9

The judicial row which led to the collapse of the Irish government centres on Mr Harry Whelehan, the former attorney-general. Mr Whelehan allegedly failed to process UK extradition warrants for a paedophile Roman Catholic priest who was later convicted of child abuse offences in Northern Ireland.

Mr Reynolds reiterated in parliament yesterday that he had not tried to mislead parliament over the affair. The Irish Times newspaper reported on Monday that the prime minister had deliberately deceived parliament by not revealing his attempt to persuade Mr Whelehan to resign as attorney-general a day before publicly defending him.

On Monday, Mr Spring demanded that Mr Eoghan Fitzsimons, the new attorney-general, provide a written explanation of the sequence of events. Mr Reynolds hurried back from the Conference on Security and Co-operation in Europe summit in Budapest to answer parliamentary questions.

"We are not happy with the answers we got.... We've broken off negotiations with Fianna Fail at this stage," Mr Spring said as he left the Dail yesterday.

Mr Ahern said Fianna Fail was resigned to a period in opposition or a general election.

"We're living through one of the saddest episodes in our parliamentary history," said Ms Mary Harney, leader of the Progressive Democrats, a former coalition partner.

"There's only so much you can take," said Labour chairman Mr Jim Kemmy.

International consensus at risk as Kohl ceasefire appeal is rejected

Summit ends in Bosnia discord

By Bruce Clark in Budapest

A European security summit of more than 50 nations disagreed over the conflict in Bosnia yesterday in an ominous sign that international consensus on the war is crumbling.

Bosnia's Moslem-led government objected to a passionate ceasefire appeal by German chancellor Helmut Kohl on the ground that the wording did not specify that the Serbs were the aggressors. Earlier, Russia had blocked a series of other resolutions it viewed as unfair to the Serbs.

Delegates at the summit in Budapest said it was the most spectacular diplomatic failure at an international gathering since the end of the cold war.

The Conference on Security and Co-operation in Europe, which is supposed to be building a new security grouping of all countries from Vancouver to Vladivostok, was unable to reach agreement over the fighting in Bihac, the northern enclave of Bosnia virtually surrounded by the Serbs.

Mr Kohl, who was encouraged to make his ceasefire call by Russian president Boris Yeltsin, pleaded unsuccessfully with Bosnian officials to lift their objections, in a dramatic closing session of the summit.

"I do not want to go home and to answer the questions over what we did about Bihac," the German leader said. "[Shall I say] that we talked and got bogged down in formalities?"

Mr Kohl said he understood the Bosnian government's view that the wording of the ceasefire was not ideal, but he insisted: "Only 300 kilometres from here, people are dying of hunger . . . and it will be catastrophic if we don't seal an armistice and provide some help."

In the end, the summit's Hungarian presidency issued an informal appeal for a ceasefire which was said to reflect the views of most, but not all, participants at the summit.

Bosnian officials said they could not accept the ceasefire call because it made no distinction between the internationally recognised government of the republic and the Serb forces that occupy about 70 per cent of its territory.

The Bosnian delegation complained bitterly that Moscow had vetoed a separate series of statements running to thousands of words that would have called for an end to Serb encroachments on Bihac and condemned the behaviour of Serbia, which has been suspended from the CSCE.

Mr Mahir Hadjiametovic, Bosnian ambassador to the CSCE, said: "The Russians blocked everything . . . That means there will be nothing in the final document on the most burning crisis in Europe." Six pages of carefully drafted pronouncements on Bihac and the situation in former Yugoslavia were discarded after Russian officials called them unbalanced and unfair to the Serbs. The resolutions would have condemned the Serbs of Bosnia and Croatia for encroaching on a nominally UN-protected area in the Bihac enclave, and called on the "aggressors" to accept a ceasefire.

They would also have condemned Serbia for violating the rights of its Moslem minorities, both Slavs and Albanians.

Russian diplomats said they could not agree with singling out the Bihac area for mention, and they would have preferred a statement about Bosnia as a whole. They also want Serbian president Slobodan Milosevic to be given more credit for accepting an international peace plan for Bosnia.

Peacekeeping deal for Karabakh, Page 2
Editorial Comment, Page 15
Nato in search of an enemy, Page 15

Keeping abreast of events: Italian prime minister Silvio Berlusconi makes a telephone call as he leaves the Budapest summit. He yesterday sought to play down the importance of the resignation of Antonio Di Pietro, Italy's best known anti-corruption magistrate Picture: Reuter

Milan law chief quits probe into corruption

By Robert Graham in Rome

Mr Antonio Di Pietro, Italy's best known anti-corruption magistrate, resigned yesterday in protest over increasing interference by the Berlusconi government in the Milan judiciary.

His resignation raised the temperature of the long-running confrontation between Milan magistrates and the right-wing coalition. The value of shares on the Milan stock exchange fell 2 per cent amid fears of increased political uncertainty in the wake of Mr Di Pietro's resignation, and the lira slipped to near-record lows against the D-Mark.

Prime minister Silvio Berlusconi sought to play down the resignation, praising the man he asked six months ago to be a cabinet minister.

But opposition politicians voiced alarm over the future of the "clean hands" investigations that have been spearheaded by Mr Di Pietro since February 1992.

Mr Massimo D'Alema, leader of the former communist party of the Democratic Left, said: "We can't but see a link between this resignation – a source of bitterness to us and millions of citizens – and the increasingly vicious assault directed against the magistrature in recent months."

Mr Di Pietro announced his resignation in an emotional

Currencies, Page 38
Italian stocks, Page 42

Pressure on Clinton mounts as Bentsen decides to quit

By George Graham in Washington

President Bill Clinton is to nominate Mr Robert Rubin as Treasury secretary, taking over from Mr Lloyd Bentsen, the administration's elder statesman, who announced his resignation yesterday.

Mr Rubin, a former co-chairman of Goldman Sachs, the Wall Street investment bank, heads the National Economic Council, a White House policy co-ordination unit.

Mr Bentsen, 73, who on Monday had called speculation on his departure "premature", said he had told Mr Clinton in September that he wanted to step down.

His leaving is not expected to signal any sharp change in economic policy. Mr Rubin and Mr Bentsen stand on the conservative wing of the Democratic party and share a commitment to free trade, fiscal responsibility and pro-business policies.

However, after last month's devastating defeat for Democrats in the congressional elections, the loss of Mr Bentsen is expected to be sorely felt in the shell-shocked administration.

One of the criticisms most frequently levelled at Mr Clinton's White House is its failure to persuade Congress to its way of thinking. That task will be harder with Republican majorities in the Senate and the House of Representatives.

'Honest broker' on course for Treasury ....Page 3

With six years service in the House and 22 in the Senate – the last six as chairman of the powerful finance committee – Mr Bentsen had an instinct for Congress's mood and an ability to work with the Republicans that was rare in the Clinton administration.

Mr Rubin's confirmation by the Senate is not expected to pose difficulties. He was endorsed yesterday by Senator Robert Dole, the Republican leader in the Senate, and by Senator Pete Domenici, who will chair the budget committee in the new Congress.

But Mr Bentsen's retirement still leaves Mr Clinton with a large array of vacancies to fill. A successor must be found to Mr Rubin at the NEC – the expected candidate is Mr Erskine Bowles, a North Carolina investment banker who recently moved from the Small Business Administration to be White House deputy chief of staff.

Mr Clinton also still needs to pick a successor to Mr Mike Espy, who has announced his resignation as agriculture secretary over charges of ethics violations.

At the same time, the Democrats' political apparatus is in disarray after last month's thrashing at the polls. Mr Clinton needs to fill the jobs of White House political director, head of the Democratic National Committee and head of his own re-election committee. Aides to Mr Ron Brown, the commerce secretary, denied that he would be stepping down to take that job.

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Iberia pilots force crisis showdown

By Tom Burns in Madrid

The crisis at Iberia, the Spanish state airline, deepened yesterday after Mr Javier Salas, the company's chairman, failed to convince the powerful pilots' union to support a rescue plan for the financially crippled flag carrier.

The breakdown of what was viewed as a final negotiating round with the pilots is now likely to force the government to intervene directly in the dispute. Madrid will want to avert a resumption of strike action over the peak Christmas period following last week's stoppages.

Mr Salas said the failure to obtain an agreement with the pilots, after the viability plan had obtained preliminary acceptance by ground staff unions, meant he would now press ahead with a controversial restructuring programme that involves cutting some 5,000 jobs, 20 per cent of Iberia's labour force, and the sale of subsidiaries in order to stave off the company's threatened bankruptcy.

Last week the embattled Mr Salas shelved the drastic streamlining project after wildcat action by ground staff closed down domestic airports.

He subsequently gained initial backing from the company's main unions to a scaled-down cost-cutting plan that placed the burden of wage reductions on Iberia's 1,100 highly-paid pilots. The pilots yesterday rejected allegations by Mr Salas that they had refused to accept nominal pay cuts of 15 per cent. They said they were willing to reduce salaries by as much as 40 per cent in real terms after wage freezes had been factored in – but only if Mr Salas and other senior Iberia executives were replaced.

There could now be a showdown between the government and the Instituto Nacional de Industria, INI, the loss-making public sector conglomerate run by Mr Salas and of which Iberia is part.

The pilots, and also the company's middle management, blame INI executives, who occupy top positions in Iberia, for a series of bad decisions, ranging from costly investments in Latin America to a badly-judged fleet renewal programme, that lie at the root of the airline's problems.

Iberia has debts of Pta424bn (£1.95bn), half of them short-term.

The airline has written off accumulated losses of Pta144bn, reducing its capital and reserves to a mere Pta89bn, and is on course to lose Pta44bn this year.

Paris talks tough on breaches of EU law

By David Buchan in Paris

France wants the European Union to harmonise penalties for breaking EU laws, allowing them to be enforced evenly and properly, Mr Alain Lamassoure, French EU affairs minister, said yesterday.

France, which takes over presidency of the Union next month, is to ask the European Commission to make an inventory of all infractions of existing EU laws and to attach to all future draft EU legislation clauses specifying the sanctions for breaking it.

Mr Lamassoure made clear that the initiative would tackle more than EU budget fraud and, for the first time, would harmonise sanctions which are currently left for member states to fix when they transpose EU regulations and directives into their national legislation.

France's move may pose a dilemma for British Conservative Eurosceptics who recently argued that the UK should pay no extra into a Brussels budget that is so defrauded, but who might bridle at the EU reducing national prerogatives on legislative sanctions.

"Member states may say setting sanctions is our national prerogative," said Mr Lamassoure. "This is fine, when all member states apply some sanction, but they don't."

As examples of the unevenness of sanctions, the minister cited the EU's 1991 directive against money-laundering, for whose infraction some states had attached virtually no penalty but Luxembourg had prescribed a 20-year jail sentence, and EU rules on giving hormones to livestock, which carried penalties of fines in some countries but prison in others.

A former chairman of the European parliament's budget control committee, Mr Lamassoure said it was his experience of investigations into the same fraud covering several EU states that "some countries are very strict, while others show great gentleness, even complicity" towards fraudsters.

Companies operating in stricter states were placed at a competitive disadvantage, he said.

Mr Lamassoure said the French foreign and justice ministries had drafted a memorandum which they would shortly send to Brussels. "Our preoccupation is about the fight against fraud and also about the respect for EU laws in all fields – agricultural and regional grants, public market *openness, environmental* norms and so on."

He stressed that the French initiative covered only infractions of EU law, not national criminal law. It therefore meant no softening of French reservations about Europol, the German-backed proposal for a Europe-wide police network that is to be discussed at the Essen summit.

"For the present, there is no European penal law, and therefore no possibility of a European equivalent of America's Federal Bureau of Investigation," the minister said.

Russia rejects Chechnya invasion

By John Thornhill in Moscow

Russia and the the break-away republic of Chechnya have agreed to settle their differences without force following last-ditch peace talks held yesterday in the neighbouring region of Ingushetia.

The deal appears to be expedient for both sides to save face without resorting to what promised to be a fierce and bloody conflict.

Both President Dzhokhar Dudayev of Chechnya, and General Pavel Grachev, Russia's defence minister, emerged from more than an hour of talks to declare: "There will not be a military solution to the question."

The terms of the agreement were not immediately known, although the priorities of both sides had been well-aired beforehand. Before the meeting, Gen Grachev said the Russian government had not exhausted all avenues for peace but made it clear he would treat Mr Dudayev as a representative of one the Russian Federation's constituent republics rather than as the head of a foreign state.

Russian military sources suggested that Gen Grachev would insist on three conditions being met: an early meeting between Mr Dudayev and the opposition forces; the disarming of illegal military units in Chechnya; and the immediate release of all Russian servicemen captured in the recent fighting. Chechen officials had originally claimed to have captured 70 Russian servicemen but it now appears that 21 Russians have been held captive.

According to the Interfax news agency, Mr Dudayev's intentions in the talks were to ensure that Russia would stop supporting Chechen opposition attacks and would withdraw its regular armed forces, which have been ominously massing on the republic's border. Mr Grachev had earlier met Chechen opposition leaders and promised them he would insist on free parliamentary elections being held.

The Russian government appeared torn between wanting to re-establish its authority in a rebellious part of the federation and fearing the consequences of being drawn into a long guerrilla war. The Chechen government had made dire threats against Russia if it sent in its troops, promising "a second Afghanistan". The Russian parliament – and public opinion – also appeared sharply divided.

While some leading politicians in Moscow urged stern measures to end the rebellion, *others such as Mr Yegor Gaidar*, head of the Democratic Choice party, warned that a military solution would lead "to nothing but bloodshed and the establishment of a military regime in the country".

Chechnya, which declared its independence from Moscow three years ago, has been a festering sore in Russia's body politic ever since.

The Russian government has provided financial support and moral encouragement to the Chechen opposition, which created a provisional council to oust Mr Dudayev.

CSCE agrees to Karabakh peace operation

By Bruce Clark and Virginia Marsh in Budapest

A conflict that has cast a long shadow over oil drilling contracts worth up to $8bn moved closer to resolution yesterday when the summit of the Conference on Security and Co-operation in Europe agreed in principle to send a peacekeeping force to the war zone of Nagorno-Karabakh, an Armenian-populated enclave of Azerbaijan.

Tens of thousands of people have been killed, and 20 per cent of Azerbaijan's territory has been wrested from government control, by a war which broke out in 1988 and has driven over a million people from their homes.

Azerbaijan recently signed what it described as the "contract of the century" with a consortium led by BP for the extraction of oil from the Caspian Sea. But Russia, which has broadly supported the Armenian side in the past two years of war, has challenged the contract's validity and is obstructing moves to build the pipeline which would be necessary to transport the oil. Azerbaijan claims Russia is using the war to destabilise the republic and prevent it from taking the benefit of its oil wealth.

Moscow's assent to the idea of a multinational – as opposed to Russian-dominated – peacekeeping force was cautiously welcomed yesterday as a gesture which could bring stability to the region. However, diplomats warned that many points of detail were still outstanding. In a sign of Russia's continuing wish for freedom of action in the southern republics of the former Soviet Union, the summit failed to agree on a broader document setting out general principles for peacekeeping over which diplomats have been wrangling for many months.

If it goes ahead, the operation will be the first such effort to be organised by the CSCE, a 53-nation body which has sought to carve a role for itself as a smaller version of the United Nations.

Both the Nagorno-Karabakh force and the broader agreement of principles have been held up by Russia's insistence on having as free a hand as possible for its military activities in the former Soviet Union. Diplomats said the Baltic states, Croatia and Hungary were among the countries which had offered to provide troops for a force in Karabakh, which they expect to number about 3,000.

Russia, which initially wanted to provide the main body of the force, has apparently now accepted that its soldiers will not amount to more than 30 per cent. Azerbaijan, supported by its close ally Turkey, has opposed the idea of a force dominated by Moscow, which over the past two years has broadly supported the Armenian cause. Turkey also hopes to provide 30 per cent of any force.

However, Mr Nyrup Rasmussen, Danish prime minister, said it remained "very uncertain" whether the Karabakh force would ever be constituted because so many detailed points were still outstanding. Diplomats said Russia's refusal to endorse general principles *for peacekeeping – while* agreeing to one specific exercise in Karabakh – probably reflected its view that such operations are best dealt with on a case-by-case basis.

Hungary's President Arpad Goncz, chairing the summit, said of the Karabakh force: "The CSCE has taken one of the most important decisions in its history." Any satisfaction over the move was balanced, however, by disappointment that the meeting had failed after hundreds of hours of backstage work to reach any agreement on the sensitive issue of "third-party peacekeeping", a term that in practice refers mainly to Russian *arbitration in the disputes of* its smaller neighbours.

Several CSCE members – including the US, and the Baltic states where the last Russian soldiers departed only a few months ago – are suspicious of Moscow's claim to be an impartial holder of the ring in the multiple wars that have broken out on the periphery of the former Soviet Union.

Hungary's prime minister, Mr Gyula Horn (right), in discussion yesterday at the CSCE summit with Bosnia's ambassador, Mr Mahir Hadjiametovic *Reuter*

EU hopefuls given boost by Brittan

By Lionel Barber in Brussels

Sir Leon Brittan, chief EU trade negotiator, yesterday predicted that this week's EU summit in Essen would be a "milestone" in efforts to bring central and eastern Europe into the European Union.

In a pre-emptive strike against critics, Sir Leon said Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania could expect new trade concessions and a guaranteed minimum Ecu5.5bn (£4.3bn) over the next five years to pay for preparation for eastern enlargement.

In addition, the European Commission would next year produce a blueprint for EU accession for the six countries. A white paper would set out steps to adapt laws, state aid, norms and standards to adjust to the single European market.

"We want to embed the principle of membership and create irreversible momentum *behind it. That is what Essen* is about," said Sir Leon.

In the run-up to the two-day summit which opens on Friday, critics seized on Chancellor Helmut Kohl's hesitation about inviting the central and eastern European leaders as symptomatic of a half-hearted approach to enlargement.

Doubts grew after it emerged the German presidency of the EU did not include in its Essen discussion paper a commitment to reform structural funds and the common agricultural policy.

The London-based Centre for Economic Policy Research claimed yesterday that the proposals for Essen were *deeply flawed. "They are* piecemeal and much more limited in areas such as market access, anti-dumping, rules of origin, agricultural policies and medium-term finance," the study said.

Sir Leon conceded that the EU had avoided a commitment to reform of the CAP and structural funds which, on cost grounds, was vital if enlargement were to take place. But he derided the CEPR's proposal for a new secretariat comprising EU and eastern European officials to monitor implementation of the accession strategy. People would not be dancing in the streets of Prague in anticipa*tion of a new layer of bureau*cracy in Brussels, he said.

Sir Leon said it would be "artificial" to set a date for membership of the central European states, or for opening accession negotiations. He advocated waiting for the end of the 1996 intergovernmental conference whose primary task was to adapt the EU's decision-making machinery to cope with an expanded Union of up to 25 members. After institutional reform, some eastern European countries might wish to move faster than others toward membership.

Sir Leon will hand over responsibility for relations *with central and eastern* Europe to Mr Hans Van den Broek, the Dutch commissioner for external political affairs in the new European Commission which takes office in January. However, he will retain responsibility for external economic relations and yesterday's performance underlines his commitment to eastern enlargement.

Irish await advent of a new government

Coalition deadlock points to a pre-Christmas election, writes **John Murray Brown**

Mr Albert Reynolds, Ireland's acting prime minister, was clearly out to enjoy himself on what was expected to be his last public appearance on the international stage. He was hoping for a dignified send off at the European security conference in Budapest. His expectations were to be cruelly dashed.

New revelations about his role in the unfolding judicial scandal that destroyed his government last month forced him to cut short his trip and rush back for yesterday's crucial session of the Dail, the Irish parliament.

With Mr Dick Spring, Labour leader, yesterday calling off his negotiations with Fianna Fail, a general election now seems the only way out of the impasse.

Mr Bertie Ahern, who succeeded as leader of Fianna Fail after Mr Reynolds was forced to resign as prime minister, publicly accepted that a fresh alliance with Labour was no longer an option.

The latest breakdown follows allegations that Mr Reynolds misled parliament over the appointment of Mr Harry Whelehan from attorney-general to the post of president of Irish High Court. The public mood is one of almost total shock.

Ireland has already spent a month agonising over the role of the Catholic Church, its most hallowed institution, after the first allegations about bungled extradition of a paedophile priest, who was later convicted in Northern Ireland on child sex abuse charges.

Through newspaper articles, and television appearances, the bishops have put themselves in the dock, in an unprecedented display of public remorse in an attempt to restore public confidence in the Church. As the Dail prepared for yesterday's critical session, the mood was summed up by one Labour MP: "Its lies, lies and damned lies."

Only two days ago the three-week-old crisis seemed close to a resolution. A new coalition between Fianna Fail and Labour seemed a foregone conclusion. The programme, inherited from the outgoing government, looked to be agreed. Both parties appeared committed to a high-growth strategy and to reducing the level of indebtedness, the one area where Ireland is badly out of line with the targets set by the Maastricht treaty.

Fianna Fail and Labour seemed prepared to co-operate to co-ordinate policy on Northern Ireland. Dublin and London still have to finalise the long-awaited framework document which will form the basis for all-party talks on a new constitution for the province.

On Europe, the challenge was no less awesome. With the proposed enlargement of the EU to take in east and central Europeans, Ireland is concerned that this should not dilute its influence in Brussels.

Dublin is particularly worried about the future of the Common Agricultural Policy, which economists believe will have to be radically reformed with the accession of the big farm economies to the east.

There is little public enthusiasm for a general election. The campaign could take the country right into Christmas week.

The impact on the peace process could be important just a few days from the historic first public meeting between British officials and Sinn Fein, the IRA's political wing.

The UK's Northern Ireland secretary, Sir Patrick Mayhew, yesterday sought to play down the crisis, but conceded there would inevitably be "a hiatus" in negotiations while there was no government in place in Dublin.

Yesterday Mr Spring announced he was restarting talks with Fine Gael, the main opposition party.

With Labour holding 32 seats and Fine Gael 47, there is an arithmetical possibility of a coalition with one of the smaller parties.

Mr John Bruton, the Fine Gael leader, said yesterday that "first of all we must get full facts out on the floor of the Dail".

With stronger leadership from Fine Gael, it is clear that the party could win broad support within parliament to lead a coalition with Labour, in order to avoid an early general election.

However, relations between Mr Spring and Fine Gael are not good, and a new accommodation may prove difficult. A Christmas election is a distinct possibility.

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EUROPEAN NEWS DIGEST

Nadir faces Cyprus arrest

President Rauf Denktash of the breakaway Turkish Cypriot republic in northern Cyprus called yesterday for the arrest of the fugitive tycoon, Mr Asil Nadir, on charges of tax evasion. A statement published in Turkish Cypriot newspapers criticised the government for failing to arrest Mr Nadir and demanded it do so without delay.

Mr Nadir, a Turkish Cypriot and former head of the collapsed Polly Peck International empire, faces charges in Britain of defrauding shareholders of £30m. He jumped a bail of £3.5m in May 1993 and fled to northern Cyprus. The breakaway republic, proclaimed in 1983 and recognised only by Turkey, has no extradition treaty with Britain. President Denktash had helped Mr Nadir lay the foundations of the Polly Peck empire by giving him hotels, factories and other property seized from Greek Cypriots after the invasion. The president rejected British requests for Mr Nadir's extradition last year and treated him as an honoured guest. But relations have deteriorated in recent months as Mr Nadir found himself increasingly unable to pay taxes in northern Cyprus as well as the wages of 1,500 Turkish Cypriots employed by his enterprises. *Nicosia, Cyprus, AP*

IMF criticises Russian budget

Mr Stanley Fischer, first deputy managing director of the International Monetary Fund, yesterday criticised the assumptions of next year's Russian budget and urged the government to adopt a tougher line if it wanted international financial assistance. Mr Fischer said IMF calculations suggested the deficit would be closer to 10 per cent than the 8 per cent included in the draft. The revenue forecasts also looked overoptimistic, he said, given that 1994's revenues were as low as half those forecast. He also questioned whether the the bond market would be sufficiently strong to meet the government's financing needs. An IMF mission is currently in talks with the Russian government about providing its biggest ever stand-by facility of up to $6bn, with a further $6bn available as part of a currency stabilisation fund. Mr Fischer hinted at the IMF's negotiating stance by suggesting that a budget deficit of between 6-7 per cent appeared financeable at a low rate of inflation. He also said tax revenues as a proportion of gross national product should be 3-4 percentage points higher than the 11 per cent forecast. The IMF also expected the Russian government to stick to its promise of lifting its oil export quotas. *John Thornhill, Moscow*

Albania to free ethnic Greeks

President Sali Berisha of Albania has said that five ethnic Greeks convicted last August of espionage and illegal possession of arms will be released from jail "very soon". Mr Berisha told the Greek newspaper, Ta Nea, that Greek-Albanian relations were on the road to recovery following Greece's decision last week to drop its veto on an Ecu35m (£27.5m) European Union loan package for Albania. The trial of the five, all members of Omonia, an ethnic-Greek political movement, triggered the expulsion of more than 40,000 Albanians working illegally in Greece and froze bilateral economic relations. Greek businessmen now hope to revive plans for investment in southern Albania, where the ethnic-Greek minority lives. *Kerin Hope, Athens.*

Bosnian Serbs send peace signal

Intense diplomatic efforts were underway last night to take advantage of signals from Bosnian Serb leaders that they may agree to re-start the paralysed peace process. However, there seemed to be little sign that they would agree to the terms of the proposed peace plan put forward by the five-nation contact group, or that they would begin to withdraw from the 70 per cent of Bosnia they currently control until the final details of a new peace plan are agreed. The diplomatic shuttle comes on the heels of the first public meeting in more than four months between President Slobodan Milosevic of Serbia and Bosnian Serb officials. Afterwards, in an unannounced mission last night, international mediators Lord Owen and Mr Thorvald Stoltenberg met Mr Milosevic to see whether his one-time Bosnian Serb protégés had revised their earlier rejection of the peace plan. *Laura Silber, Belgrade*

FDP makes overtures to SPD

The German Free Democratic party (FDP) yesterday made overtures to the opposition Social Democratic party (SPD), the first step in a mating dance which may pave the way for a coalition between the two parties. Mr Hermann Otto Solms, the leader of the FDP's parliamentary party, said: "If Scharping can actually bring his party to change course in economic and social policy then he will become an interesting and serious partner for talks with the FDP." There has been speculation that the FDP, which lost almost half of its seats in the Bundestag at the recent elections, will eventually pull out of the coalition with Chancellor Helmut Kohl's Christian Democrats. However, the feelers that Mr Solms is putting out contrast sharply with comments by Mr Klaus Kinkel, the foreign minister and party leader, who has steadfastly said that the FDP sees its fortunes tied to those of the CDU. Yesterday the SPD met in Bonn to discuss how it could make itself more palatable to industry. *Michael Lindemann, Bonn*

Arianespace halts launches

Arianespace, the European aerospace group, said yesterday it had suspended its satellite launching programme and set up an inquiry into the crash of Flight 70 last Thursday shortly after its launch from the island of Kourou off French Guyana in the Atlantic. First results of the inquiry into the accident – the seventh since 1979 but the second of its kind this year – are to be presented on December 19. But Arianespace said it would not comment on the findings until the official report was complete. "[The] mandate is to establish the causes of the failure of Flight 70 and to recommend all the necessary measures to be taken to correct the anomalies found," the company said. It is committed to launching 30 rockets before the end of 1996. Insurers have warned that the failure of the launch will lead to a reappraisal of rates for launches where insurance cover has not yet been agreed. *Reuter, Paris*

ECONOMIC WATCH

Dutch economy bounces back

The Dutch economy has grown by 2.2 per cent this year, far exceeding the 0.4 per cent rise in gross domestic product achieved in 1993, the central statistical office said yesterday. Reviewing the year, it noted that the sharp increase ended five years of steady decline in GDP growth from a peak of 4.7 per cent in 1989. This year's economic rebound was firmly led by exports, up 5 per cent in volume terms over 1993 when exports rose by just 2 per cent. By contrast, domestic economic growth was relatively weak, with consumer spending rising 1.5 per cent. This marked the first time in three years that the rise in consumer spending did not outstrip the wider economy. Although investment grew at a modest 2 per cent, this represented a reversal of the previous year's 2 per cent decline. *Ronald van de Krol, Amsterdam*

■ West German industrial orders fell 0.2 per cent in October from September, but were up 10.4 per cent year-on-year.

■ Slovakia posted a Sk160m (£3.28bn) foreign trade surplus in October, taking its January-October surplus to Sk1.38bn.

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Mexican president plans big overhaul of judicial system

Zedillo swift to confront political tests

By Ted Bardacke in Mexico City

Mexico's President Ernesto Zedillo has acted swiftly on two of the most pressing political challenges facing his new administration. He has unveiled plans for a sweeping overhaul of the judicial system and an accord designed to prevent violence during this week's transfer of power in the southern state of Chiapas.

The judicial reform would allow Mr Zedillo to remove all Supreme Court magistrates and name a new court if he wishes, providing an opportunity to clean house only weeks into his six-year term. The reforms would also prohibit cabinet ministers and congressmen from being named to the court, thus ending the practice whereby it had become a refuge for out-of-favour politicians.

The judicial reforms, detailed on Monday, involve changes to the constitution and require approval by both legislative chambers and state legislatures. They would award more power to the traditionally weak legislature by giving the Senate the authority to ratify the nation's attorney-general and Supreme Court justices after open hearings.

Mr Zedillo's aides claim the reforms form a key component of a bigger agenda of political reform by strengthening the judicial and legislative branches of government at the expense of the president. But they also concede that the "top down" approach of the reforms makes them "just a beginning, and it will take the president's entire term for them to become fully functional".

Mr Zedillo is relying on Mr Antonio Lozano, the new attorney-general, to change the ethos and practices of the police, much criticised for corruption an ineffectiveness. On Monday Mr Lozano, a member of the conservative opposition National Action party, named fellow party members to all six top jobs in his law enforcement agency.

Other aspects of the reforms include a mechanism allowing citizens to challenge inaction by prosecutors and police, as well as the constitutionality of federal, state and local laws.

In Chiapas, scene of a bloody Indian uprising earlier this year, the interior ministry has reached an agreement with the self-styled State Democratic Assembly, which groups the state's leftist opposition. The accord calls for protesters to respect Thursday's swearing-in ceremony of governor-elect Mr Eduardo Robledo, and for the state government to respect the right to protest.

The assembly, backed by the Zapatista rebels, claims Mr Robledo was fraudulently elected and had promised to use civil disobedience to prevent his taking office. The Zedillo administration has insisted Mr Robledo take office, saying its larger agenda of promoting the rule of law would be undermined if it began forcing governors to resign.

It was not immediately clear if the agreement would be respected by all assembly members.

AMERICAN NEWS DIGEST

Brazilian court rules on Collor

Nearly two years after former president Fernando Collor de Mellor resigned amid corruption allegations, the Brazilian Supreme Court today begins its judgment of the case. Mr Collor, who resigned in December 1992 hours before the Senate voted to impeach him, is accused of "passive corruption" by the attorney-general, who has collected more than 10,000 pages of evidence against him.

Mr Collor, who denies the charges, is accused of links to a network of bribes and corruption operated by his former campaign treasurer, Mr Paulo César Farias, during and after the 1989 presidential election. Mr Farias, who will also be judged, fled to London in July 1993 after an arrest warrant was issued. He was later extradited from Thailand. If found guilty, Mr Collor would face a jail term of up to eight years. He is not expected to appear at the judgment in the capital, Brasilia, which could take several days. At the time of the impeachment vote the Senate banned Mr Collor from running for public office until the year 2000. *Patrick McCurry, São Paulo*

Montreal crime ring cracked

Montreal police have broken up a crime ring which has stolen hundreds of top-of-the-range Chrysler Cherokee four-wheel drive vehicles for shipment to Russia's black market. They recovered vehicles worth nearly C$1m (£470,000) from a Montreal factory and rail yard and two more in Halifax, Nova Scotia. Five men were arrested. The ring moved the vehicles in containers, using false papers, through Germany and Finland to Russia. *Robert Gibbens, Montreal*

Death row for anti-abortionist

Mr Paul Hill, former minister and US anti-abortion activist, was sentenced yesterday to die on Florida's electric chair for murdering an abortion clinic doctor and his escort. Mr Hill, 40, was convicted by a state court jury of the fatal July 29 shooting of Dr John Britton and his clinic escort, Mr John Barrett, outside the Ladies Centre abortion clinic in Pensacola, Florida. In a separate federal court trial, Mr Hill was convicted of violating a new US law that guarantees access to abortion clinics. He was sentenced to life in prison. *Reuter, Pensacola*

Democrats accuse Clinton

Democratic party moderates blamed President Bill Clinton yesterday for last month's mid-term election calamity, saying he campaigned as a centrist but had failed to govern as such. The mood was sombre at the 10th anniversary conference of the Democratic Leadership Council, a group once chaired by Mr Clinton which is devoted to advancing a centrist political agenda. "Amid the avalanche of public disgust that swept our party from power in Congress, Democrats once again face a crisis of values, a crisis of principles, a crisis for the future of our country," said Mr Dave McCurdy, council chairman and an outgoing member of the House who lost his race for a Senate seat in Oklahoma.

California Senator Dianne Feinstein, narrowly re-elected last month, singled out what she termed Mr Clinton's over-ambitious effort to reform the healthcare system as a key factor in the Democrats' election defeat. *Reuter, Washington*

US house completions fall

US housing completions fell 2.3 per cent in October, the Commerce Department said yesterday. It was the first decrease since July's 3.5 per cent drop. Completions of single-family units fell 0.3 per cent in October after rising in September by a revised 1.7 per cent. Multi-family unit completions fell 12 per cent in October after rising a month earlier by a revised 22.8 per cent. Previously, the department said completions of single-family units rose 1.9 per cent in September, and multi-family units climbed 22.3 per cent.

Meanwhile, US mortgage delinquency rates fell in the third quarter to a 21-year low, a Mortgage Bankers' Association of America survey showed. The quarterly national delinquency survey, which covers about a third of all residential mortgages, showed the overall seasonally adjusted mortgage delinquency rate on one- to four-unit homes was 3.9 per cent, down from 4.21 per cent in the second quarter. The third-quarter rate was the lowest since the opening period of 1973, when it hit 3.89 per cent, the MBA said. *Reuter, Washington*

'Honest broker' on course for Treasury

Robert Rubin is likely to adopt a conservative line if he assumes the economic reins in the US, writes George Graham

At 73, Mr Lloyd Bentsen has always seemed an outsider in the youthful administration of President Bill Clinton. It was not just his age that set him apart, however. His conservatism, his instincts for the dynamics of Congress and his impatience with the White House's interminable policy debates have all distinguished him.

They are qualities that the Clinton administration may need more than ever as it faces the prospect of two years of intense ideological confrontation with the new Republican majority in Congress.

Since their electoral defeat last month, Democrats have been trying to figure out where they went wrong, and where they need to go to recover. White House staffers debate feverishly over whether the president would be better off veering left or right.

In this climate, Mr Bentsen's influence had seemed sure to grow, partly because of his ability, demonstrated in six years as chairman of the Senate finance committee, to work with the Republicans, and not least because he has always seemed to be one of the few people who can force the Clinton administration to make up its mind.

That is a quality shared by Mr Robert Rubin, 56, who will be nominated to succeed Mr Bentsen as Treasury secretary. There will be no sharp difference in philosophy between the two men.

When Mr Clinton asked Mr Bentsen in 1992, just after his election victory, whom he should name to the Treasury, Mr Bentsen suggested Mr Rubin. Mr Rubin, in turn, suggested Mr Bentsen. "Ever since, Bob Rubin has insisted that he had more influence with the president than I did," Mr Bentsen said yesterday.

Senate confirmation cannot be taken for granted with the pugnacious Senator Alfonse D'Amato taking over as chairman of the Senate banking committee, but there is no immediately obvious reason why Mr Rubin should face confirmation difficulties.

A former chairman of the Goldman Sachs investment bank, Mr Rubin turned his newly created position as head of the National Economic Council into an essential centre for co-ordinating the work of often competing agencies such as the Treasury, the US trade representative's office, the Environmental Protection Agency and the Commerce Department. At a ceremony at the White House yesterday, Mr Clinton called Mr Rubin "the consummate honest broker".

Robert Rubin: modesty has been secret of his success

Mr Rubin will take the lead next year in the battle with the Republicans over fiscal policy, and has served warning that he will demand that any tax cuts be paid for by offsetting tax increases or spending cuts.

One of the secrets of his success in co-ordinating economic policy has been his own modesty, which has helped to bring competing agencies together without fear that the NEC would steal their thunder. That modesty is so rare for Washington that the task of replacing him at the NEC is a difficult one.

The loss of Mr Roger Altman, another Wall Street investment banker who was Mr Bentsen's deputy at the Treasury until he was forced to resign amid charges that he had misled Congress over the Whitewater affair, is now sorely felt.

Mr Rubin's two deputies at the NEC are Mr Bo Cutter, who has taken the lead on trade policy, and Mr Gene Sperling, who is in charge of domestic policy. But neither is expected to step up to the top job. Instead, the most widely mentioned candidate is Mr Erskine Bowles, who founded his own investment bank in North Carolina before being appointed head of the Small Business Administration by Mr Clinton. A rising star in the administration, Mr Bowles recently moved over to the White House as deputy chief of staff.

An economic team headed by Mr Rubin, Mr Bowles and Ms Alice Rivlin, budget director, backed by Mr Leon Panetta, the White House chief of staff and Ms Rivlin's predecessor at the Office of Management and Budget, seems likely to keep the administration on a conservative economic and fiscal course.

But the course may be harder to steer over the next two years than it has been over the last two, when rising employment and low inflation have kept the economic indicators favourable.

Mr Bentsen's successor faces the prospect of a slowing economy and the possibility either of a resurgence of inflation or of the beginnings of a recession.

Against this background Mr Rubin may be hard pressed to fend off the demands of Mr Clinton's political advisers and core Democratic supporters on the left and in the trade unions, and avoid the temptation of getting into a bidding war over tax cuts with the Republican Congress.

Mr Bentsen, whose resignation will take effect on December 22, will return to Texas to relaunch his business career. Mr Frank Newman, the current deputy Treasury secretary, will serve as acting secretary until Mr Rubin is confirmed.

Mr Bentsen has promised to come back to Washington frequently to be part of what Mr Clinton called "a seasoned kitchen cabinet". "You bet I'm not retiring. I think you rust out before you wear out," he said.

Taiwan opposition faces 'fit to rule' challenge

By Laura Tyson in Taipei

Taiwan's leading opposition, the Democratic Progressive party (DPP), faces the formidable challenge of proving to voters it is fit to lead the country when its testing ground is a city which verges on being ungovernable.

The eight-year-old party is renowned as much for sparking parliamentary brawls as for generating good ideas later co-opted by the ruling Kuomintang (KMT).

Now it must make a swift transition from the *enfant terrible* of Taiwan politics into an organisation capable of managing the chaotic capital Taipei.

Later this month Mr Chen Shui-bian, a DPP legislator, will take up the post of Taipei mayor after winning elections last weekend against the ruling party incumbent candidate for the post which previously had been an appointment.

He will command a municipal budget of T$130bn (£3.2bn) in the current fiscal year for the city of 2.7m residents.

This will be the most important administrative position the DPP has held since political reforms and regular elections began in the late 1980s. Its performance running the island's biggest city will be critical to gaining voters' confidence before the first-ever direct presidential elections slated for early 1996.

Taipei's woes are legion and stem mostly from a combination of poor planning and rapid economic growth.

The KMT, which has ruled the island since 1949, has historically been loth to invest in non-productive services and infrastructure, hoping instead to realise the long-cherished dream of reconquering mainland China.

Open drains flow by dilapidated, or nonexistent, sidewalks on streets where garbage piles mount, stray dogs roam and double-parking is the norm rather than the exception.

The capital's traffic bottlenecks and air pollution problems are legendary, parks are few and real estate is overpriced. Traffic regulations are observed largely in the breach and loosely enforced by a seemingly demoralised police force.

Mr Chen, a Taiwan-trained lawyer, built a fearsome reputation ferreting out military and official corruption in the Kuomintang government. But he will have to show that he is more than just a crack investigator and smooth talker once he finds himself at the receiving end rather than on the attack.

Mr Chen faces the urgent task of revitalising city services and restoring morale among government employees and residents. Not least of Mr Chen's challenges will be to sort out the city's unfinished accident-prone, corruption-plagued urban mass transit system. He got a taste of what is to come yesterday when a carriage derailed during a test run. Experts dismissed the mishap as minor but it topped the evening new programmes and fuelled public fears about the system's safety.

The traffic-clogged capital's mass transit system was originally scheduled to start running in August 1991 at a budget of T$250bn. Costs have ballooned to T$444bn and after a succession of delays the first line has yet to open.

Believed to be the world's most expensive per kilometre, the system has attracted widespread allegations of corruption. The first chief of the department overseeing construction, Mr Chi Pao-cheng, was impeached, and the second, Mr Lai Shih-sheng, faces corruption-related charges. His case is pending.

France's Matra Transport, the general contractor on one of the system's main lines, is embroiled in a contract dispute with the department over damages claims because of construction delays. The mayor-elect has promised to conduct a top-to-bottom review of the system.

Mr Chen will have a grace period during which he can blame his predecessor when things go wrong. But eventually Taipei residents will want to see progress on his pledges to improve the quality of life, break the "hung pao" culture – the practice of giving red envelopes, or bribes – in city government, and curb gangster-related violence.

Christopher: seventh shuttle

US push to break Syrian deadlock

By Julian Ozanne in Jerusalem

Mr Warren Christopher, US secretary of state, arrived in Israel from Syria yesterday as part of a push by Washington to break the deadlock in peace talks between Jerusalem and Damascus amid growing pessimism on both sides.

Israeli officials said the focus of Mr Christopher's seventh Middle East shuttle this year was to edge forward agreement on security arrangements that would be put in place following an Israeli withdrawal from the Golan Heights. Israel and the US hope Mr Christopher will persuade Syria to send military experts to take part in a future round of talks between ambassadors in Washington.

Gen John Shalikashvili, chairman of the US joint chiefs of staff, is also in Israel and has held talks with Israeli military officials to discuss deployment of US troops on the Golan following an Israeli-Syrian peace accord.

Mr Yitzhak Rabin, Israeli prime minister, has emphasised the importance of stationing US troops on the Heights, perhaps as the main component of a multinational force. He lobbied the US Congress to support such a move in Washington last month.

Mr Rabin said earlier this week that huge gaps still separated the two sides, but he has increasingly been outlining the details of the security negotiations. On Monday he told the parliamentary defence committee there were three key security issues: preventing border incidents; mutual arrangements to prevent a surprise attack; and how to reduce the defence burden of the security package.

In public, Syria continues to state its traditional line that Israel must first make a firm open commitment to full withdrawal from every inch of the Golan and has criticised Mr Rabin's proposal to hold an Israeli referendum on withdrawal from the Heights.

Official Syrian newspapers attacked Israel yesterday, saying Israeli leaders "rushed to put obstacles to stall the peace process". Damascus has shown anger at Israel's demand for security arrangements to be more extensive on the Syrian side and insists on a policy of equality.

But Israeli officials say in private Syrian negotiators are more willing to discuss security details and compromises with Mr Christopher.

Both sides have been warning that time is running out.

Alarm bells ring for China investors

Concern is growing over accumulating problems, writes **Tony Walker**

It was a familiar litany from Chinese leaders at their Central Economic Work Conference in Beijing last week. They agreed to quicken the pace of enterprise reform, improve macro-economic measures and further develop the market system and economic legislation.

These worthy aims, which included a call on government at all levels to achieve a "correct balance" between reform, progress and stability, are unlikely to have lessened the growing concern of international creditors over an accumulation of nagging problems. Companies planning to invest in China are also being caught up in a mood swing that began surfacing last month.

"People are very uneasy," said an American banker in Beijing. "Sometime in November the fear factor really kicked in."

It was inevitable that a more sober view of the risks and rewards of doing business with China would materialise sooner or later, but the intensity of present disquiet says a lot about overheated expectations of the past year or so.

"Nothing has changed that much from six months ago," the banker added. "But what has changed is that people have ceased suspending disbelief."

Problems that raised the alarm and prompted a rash of inquiries from anxious head offices to their representatives in China and Hong Kong do not in themselves portend disaster but, taken together, create a somewhat disturbing picture.

They include news that Lehman Brothers is suing leading Chinese enterprises over non-payment of $100m (£62.5m) in losses incurred in currency trading; publicity given to the old issue of long-overdue payments on leasing debts; an argument between the China International Trust and Investment Corporation and the London Metals Exchange over alleged unpaid obligations on commodities trading by Citic's Shanghai branch; and attempts by the Beijing Municipality to remove a McDonalds from a prime site to make way for a Hong Kong-funded development; this despite the fast-food chain having a 20-year lease.

For those with a stake in China or contemplating one, these episodes raise the question of whether they are part of a much wider problem, and mark the beginning of a trend. Compounding the nervousness are concerns about China's high inflation rate (consumer prices in the main cities up 27 per cent in the 12 months to October), indications the reform effort may be faltering, a continuing credit squeeze, and jitteriness about a transition to a younger generation of leaders.

Western bankers in Beijing are loth to speak on the record about difficulties with overdue payments, mainly from state enterprises, but they confirm the problem is widespread. "You are going around swapping names these days of who you don't want to deal with," the representative of a large European bank, which has its share of troublesome clients, said.

Representatives of international lending institutions take a fairly sanguine longer-term view of the latest developments, but believe that in the short term, lenders and borrowers are in for a "sobering-up" period, as one put it.

"There are going to be some hard knocks," one representative declared. "Some institutions have been excessively gung-ho about lending to China." China's international advisers are urging it to clarify what constitutes sovereign risk to calm concerns among investors.

Western bankers estimate that about two-thirds of China's external obligations are sovereign or government debt, but the proportion of sovereign debt has been diminishing in light of a rash of borrowing outside the state's borrowing plan.

Debt service on China's estimated $83.5bn external debt at the end of last year stood at about 12 per cent, according to Mr Tan Jian, a finance ministry official, who indicated Beijing wanted to keep the ratio below 15 per cent.

A recent World Bank analysis concluded that China's external debt and debt-service position was "sound" at the end of 1993, but also warned that as state-owned enterprises became more autonomous, the authorities would need to guard against too rapid build-up of their external debt obligations.

Of China's various arguments with foreign creditors, the leasing issue is perhaps most revealing of the difficulties of operating in an environment which, in the words of one banker, still resembles the "wild east".

Banks, including several of the larger Japanese and European institutions, blundered into China in the mid-1980s, lending to state enterprises through newly-established leasing companies in which the foreign banks were minority shareholders.

Much of this lending went towards purchases of machinery for textile factories, some of which have never repaid a cent. But the ability of the leasing companies to retrieve the funds is limited by the fact that because they are majority Chinese-owned concerns they are classified as local operations.

This means they are obliged to take their place in a lengthening queue of creditors among state enterprises caught up in China's huge triangular debt problem: the inability of enterprises to pay each other for goods and services.

Mr Gernot Kluss, chairman of the Friendship Association of Foreign Joint Venture Leasing Companies, is not optimistic that the 31 leasing companies affected will retrieve the $500m-$600m arrears owed despite a recent appeal to Mr Zhu Rongji, the governor of the central bank and vice-premier in charge of the economy.

But Mr Kluss also warned that if the funds are not forthcoming, it will "affect China's creditworthiness".

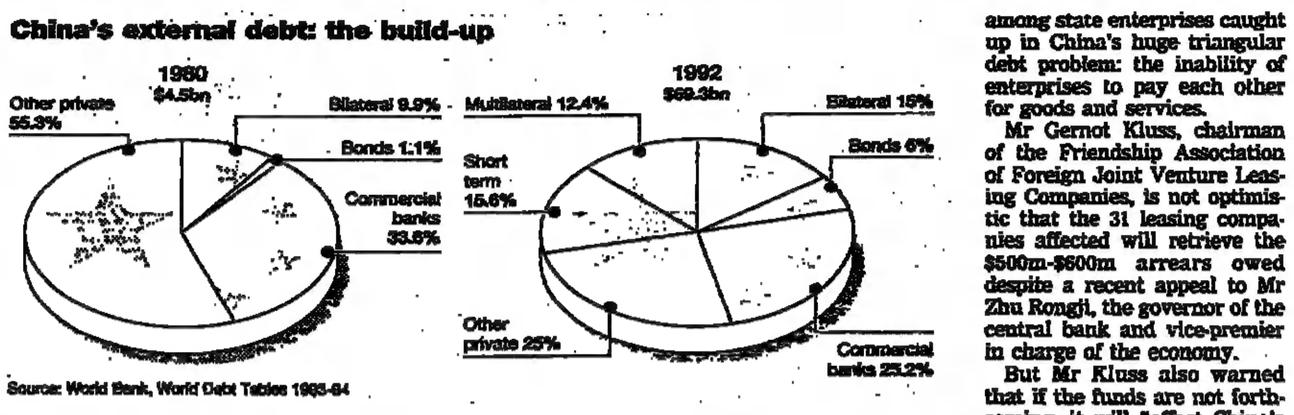
Heavily-borrowed enterprises considered vulnerable to a downturn in the Chinese economy and rising interest rates include speculative real-estate ventures such as hotels, fancy restaurants, condominiums, and golf courses. Funds have poured into these areas in the past two years.

Bankers expect the authorities to crack down soon on borrowing outside the state credit plan. "It's only a matter of time before they begin restricting borrowing," one Hong Kong-based analyst says.

For all the gloomy talk, the fact remains that foreign direct investment is continuing to pour into the country. At the end of October, $25.2bn of funds had been utilised, up 44 per cent over the same period last year. China's economy is continuing to grow strongly, with growth expected this year of 11.5 per cent against more than 13 per cent last.

In most developing countries these statistics would indicate an embarrassment of riches. But in China's case such is the task facing its rulers that international confidence is likely to become more fickle, now that the honeymoon with Western business appears to be coming to an end.

China's external debt: the build-up



Source: World Bank, World Debt Tables 1993-94

Higher wages demand and alleged attack on worker prompt discord

Vietnamese strike at Korean-owned plant

More than 300 workers at a South Korean-owned textile mill in Vietnam struck yesterday in a dispute over wages and an alleged attack by a South Korean employee on a Vietnamese worker, AP reports from Hanoi.

The strike began on Saturday at the Pang Rim Vietnam Company in Viet Tri City, about 40km north west of Hanoi, and highlights the tension between managers and workers at some foreign ventures. The country has become a favoured investment home for companies seeking a low-wage production site.

Pang Rim Vietnam is wholly owned by Pang Rim, South Korea's third-largest textile maker. Mr I.C. Kim, head of the factory's import-export division, said by telephone that the two sides had agreed to a wage increase and that the strikers were expected to report for work tomorrow. He said the strike did not entirely shut down operations, as 1,300 other workers remained on the job.

The strike reflects growing assertiveness among Vietnamese workers, especially since a labour law was passed last summer explicitly protecting the right to strike. The official newspaper Lao Dong said last month that 32 strikes had occurred in the country from January through October.

The strike also reflects tensions between foreign bosses and Vietnamese workers accustomed to very different work styles. Workers at another South Korean company walked out last year after a similar allegation was made that a South Korean supervisor had struck a Vietnamese worker.

Mr Pham Dinh Chien, president of the textile mill's trade union, said the Pang Rim strike was triggered when a foreman beat a worker he thought had left work early. Mr Kim denied that any beating took place. A Vietnamese worker who answered the telephone at a factory office described the incident as a fight between a worker and a South Korean technician who had demanded to see the worker's pass.

Vietnamese government officials rushed to the plant on Monday to mediate in the conflict. The two sides agreed the same day on a settlement including wage increases of 5 to 10 per cent, but the strikers failed to show up for work yesterday.

Patience runs out in S Africa

Mark Suzman reports on grievances over living conditions

As so often in the past, downtown Johannesburg on Monday night was the scene of violent confrontation between angry black demonstrators and police. But unlike the clashes of earlier years, this was no clear-cut battle between the heartless enforcers of apartheid and their defiant victims.

Instead, it was triggered by police evicting homeless people who had illegally occupied a vacant building in protest at the government's seeming inability to find them alternative accommodation.

Images of destitute families thrown out on to the street encapsulate a cruel moral and practical dilemma for the African National Congress-led government: how can it cater to the demands of its long-suffering black constituents while reintroducing a culture of law and order?

"Disaffection is growing," says Mr David Maepa, a local government expert with First National Bank. "People are willing to wait if they know something is being done, but the impression the government gives is of talk and no action."

Part of the problem is a crisis in local government across the country. On everything from the provision of housing to the building of schools, the ANC has insisted communities should be directly involved; the problem is that as yet, there exist no post-apartheid local authorities qualified or equipped to assume such roles.

"At national level, the legitimacy crisis was solved [through the April elections] before delivery [on black expectations]. At local level, the problems of legitimacy and delivery will have to be confronted at the same time," Mr Frederik van Zyl Slabbert, the veteran political analyst charged with running new local government elections, said in a recent article.

The problem is unlikely to be resolved soon. A year ago, constitutional negotiators confidently predicted the first democratic local elections would take place by the end of November. Six months later, the new government put this date back by a year for logistical reasons, but retained the beginning of December as the target for integrating white towns and black townships into single metropolitan councils.

But fewer than half all municipalities have managed even this task, necessary before voters' rolls can be compiled. The likelihood of elected authorities taking over before 1996 is receding rapidly.

The corrosive rent and services boycotts that began during the mid-1980s as a form of political protest are exacerbating the problem by leaving local bodies short of the funds to undertake development.

As a result, although the cabinet has agreed to write off tenant arrears to the end of January 1994, at the cost of several billion rands, the strain on national finances has forced it to insist that payments due from February onwards must be met in full, a sum that already amounts to R324m in the so-called PWV area around Johannesburg alone.

While both national and regional ANC leaders are threatening tough action, including politically unpopular evictions if payments are not met, they are coming under fire from grassroots organisations. The South African National Civic Organisation, an umbrella body for the ANC-aligned civic associations that sprang up in the mid-1980s as alternatives to official government bodies, has called on the government to scrap all arrears and further cut the already subsidised rent for township dwellers.

"Basic services must first be guaranteed and an affordable rate needs to be negotiated with the people," says Mr Mbongeni Ngubeni, head of Sanco's local government unit.

Some residents say the time for boycotts has passed, but most chafe at paying before services are upgraded. "Why should people pay for faulty houses and an unreliable water supply?" asks one angry inhabitant of Soweto, the black township near Johannesburg.

Eskom, the electricity utility, supports the view that improved services would lead to a higher level of payments, and says that since it upgraded its infrastructure in Soweto and began an educational and promotional programme in the area, revenues have risen.

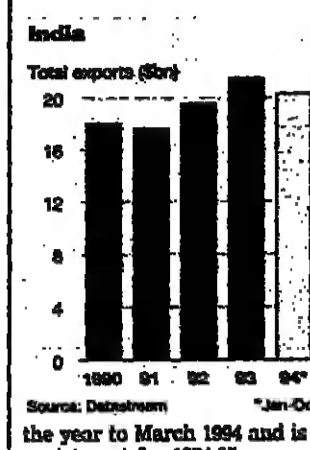
"In October, 40 per cent of residents paid their bills compared to only 26 per cent in September," says Mr Martin Opperman, the company's negotiations manager.

Electricity comes to Bester Settlement near Durban *Ashley Ashwood*

As the squatters' protest this week indicated, patience is likely to run out unless there is a visible effort to address popular grievances well before the oft-postponed local elections take place. "They have been sending the wrong signals so far," says First National's Mr Maepa. "It is time for the government to start addressing grassroots concerns."

INTERNATIONAL NEWS DIGEST

India's October exports up 27%



Source: Datastream *Jan-Oct

India's exports soared 26.9 per cent in October to $2.2bn, confounding fears they would be affected by the plague which hit parts of the country and caused panic around the world. The October increase, the biggest monthly improvement this year, took the rise in exports for the first seven months of the financial year, starting in April, to 13.9 per cent, above the 9.4 per cent recorded in the first three months when concern arose about apparent sluggishness of exports. But that growth rate still lags behind the record 20 per cent posted in the year to March 1994 and is short of the government's 15 per cent target for 1994-95.

Imports in October also rose sharply, by 29.7 per cent, to $2.33bn, mainly because of a sharp increase in industrial output which draws in imports of capital goods. The commerce ministry said that while the recovery in industry, after three years' stagnation, was welcome, the trade deficit needed watching.

The ministry said the impact on trade of the plague, which killed about 50 people before it was brought under control in October, had been "insignificant" despite curbs imposed by many importing countries. While relief may be premature, since the curbs could have affected shipments made after October, it is clear that estimates of export losses of $1bn are wide of the mark.

● The government's latest sale of shares in state-owned companies has had a poor response, with investors taking up only 12 per cent of the 345m shares on offer. The sale of the shares in six state-owned undertakings, all of which are listed on the stock exchanges, raised Rs22.3bn ($710m), a fraction of the government's target. India is selling shares in about 35 central government businesses to raise funds and grant a measure of management independence. But the government is retaining a controlling stake of at least 51 per cent in each company and has no plans for full-scale privatisation. *Stefan Wagstyl, New Delhi*

Australian price-fixing case

The Australian transport group Mayne Nickless, and a number of its present and former executives, yesterday agreed to settle a price-fixing case brought against it by the Trade Practices Commission (TPC), Australia's competition watchdog. Mayne Nickless was ordered to pay A$7.7m (£3.8m) in penalties and costs. Executives on whom penalties were imposed included Mr William Bytheway, Mayne's managing director. The company said it had discontinued the defence "reluctantly". The prospect of a long court case would have "absorbed enormous management resources", it said.

The TPC had alleged that Mayne, together with TNT Australia and Ansett Transport Industries, ran a cartel in the express freight industry from the 1970s to the early 1990s. It alleged that the companies, with an aggregate 90 per cent market share, had arrangements not to poach each other's clients. If a customer did switch carriers, the new carrier "burnt" the client, by raising rates or providing poor service, so that the client returned to the original service provider. *Nikki Tait, Sydney*

South Korean jailed for bribery

Mr Ahn Byong-hwa, a former South Korean state utility chairman, was sentenced yesterday to three years in prison for receiving bribes in connection with a multi-billion dollar nuclear power project. The heads of three conglomerates involved in the 1990 project were also found guilty of giving bribes to Mr Ahn and received a suspended 10-month prison sentence each. A three-judge court said the business leaders were given lenient sentences in consideration of their contribution to the nation's economic development.

Mr Ahn, who served as president of the state-run Korea Electric Power in 1989-92, was charged with receiving $1.1m in bribes in connection with a $2bn nuclear power project. The three business leaders involved are Mr Kim Woo-joong of the Daewoo group, Mr Choi Won-suk of the Mr Dong Ah group and Mr Park Ki-suk of Samsung Construction a construction arm of the giant Samsung group. The outcome came as a surprise in a country where businessmen usually maintain close ties with the government. *AP, Seoul*

Chinese power output to rise

China's electric power production is expected to rise by 10 per cent from 1993 to exceed 910bn kilowatt hours this year. But this will not be enough to prevent power shortages in the winter months, the Xinhua news agency said. In the first three quarters of the year power output was 664.9bn kilowatt hours, the Ministry of Power Production said. It forecast a sharp rise in demand from businesses over the coming months because of rapid economic growth and said power cuts were inevitable toward the end of the year. *Reuter, Beijing*

ADB approves Kazakh loans

The Asian Development Bank has approved its first two loans, totalling $60m, to the central Asian republic of Kazakhstan, the bank said yesterday. The bank said the loans to Kazakhstan are designed to help it in the transition to a market-based economy. A $554,000 technical assistance grant comes with the loans. The loans will support the government's stabilisation and structural reform programme by helping bridge an external financing gap to prevent a further decline in output and deterioration of living standards, the bank said. *AP, Manila*

Manila seeks easier terms

A slowdown in inflation in November and high third quarter economic growth boosts the Philippines' case for a relaxation of its monetary policy agreed with the International Monetary Fund, economists said. The government's National Statistics Office reported on Monday that the Philippine consumer price index grew at an annual 7.5 per cent in November against 7.8 in October and 8.6 in September. This follows last week's announcement that third quarter gross national product grew by 5.9 per cent against 2.15 per cent in the same period last year. *Reuter, Manila*

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Change of heart by US on Gatt

By Frances Williams in Geneva

The US is expected this week to withdraw its threat to leave the General Agreement on Tariffs and Trade soon after the World Trade Organisation, Gatt's successor, comes into force on January 1. The move would have left those countries which were not WTO members by the date the US left without legal protection for existing Gatt benefits.

Washington's change of heart follows a deal between the leading trading nations under which WTO members will have the right to pull out of Gatt after the end of next year. Since virtually all Gatt's 124 members are expected to be WTO members by then, Gatt will effectively cease to exist.

During 1995 Gatt and WTO rules will run in parallel, a legally uncomfortable arrangement that the US had wanted to avoid. WTO rules and commitments will take precedence where the two overlap or conflict. Trade diplomats said yesterday that the deal, worked out last weekend between the US, European Union, Japan and Canada had won broad acceptance among Gatt members. It was expected to be formally endorsed at tomorrow's WTO implementation conference which must decide on transitional arrangements.

However, to the alarm of trading partners, the US was sticking to its intention to leave the various voluntary Gatt codes of fair trade practice early next year. This would deprive countries of the right to challenge US anti-dumping and anti-subsidy actions initiated under Gatt rules.

The WTO anti-dumping and countervailing duty accords, which will apply to all WTO members, allow recourse to the organisation's disputes procedure only for suits filed after January 1. Suits filed before that date could result in duties being imposed which could not be challenged either under the WTO or under the Gatt codes because the US would no longer be a member.

Washington has said it is prepared to acknowledge cases already going through Gatt procedures, which include an important EU challenge on anti-subsidy duties on steel. US officials claim withdrawal will not make much difference to the outcome of these disputes, since under existing Gatt rules any nation can block adoption of panel rulings it disputes.

Trade officials were also trying to sort out before tomorrow's meeting a wrangle over who should chair the key WTO committee which will monitor the dismantlement of the Multi-Fibre Arrangement restricting imports of textiles and clothing from the Third World. The decision on who should head the WTO, could be postponed to early next year.

Big coalfield reclamation agreed

Germany to spend DM12bn on clean-up of lignite sites

By Judy Dempsey in Berlin

Germany's federal and state authorities are to pay DM12bn ($8bn) for one of the largest reclamation programmes for eastern Germany's open cast brown coal, or lignite, fields.

The environment ministry yesterday confirmed that the programme will run a further five years to 2002. It was begun in 1991 and had been due to end in 1997. . The extension follows agreement by environmental ministers from the eastern German states to provide additional financing.

Strabag, Hochtief, and Thyssen Handelsunion, the country's largest construction and engineering companies, are expected to play a major role in removing contaminated material and reclaiming at least 10,000 hectares.

But the Treuhand privatisation agency, which oversees land reclamation projects in eastern Germany, rejected a bid from Morrison Knudsen, the US mining corporation, to participate in the project. Along with Britain's PowerGen and NRG of Minneapolis, Morrison Knudsen last year bought the viable parts of the Mibrag brown coal fields which straddle the eastern states of Saxony and Saxony-Anhalt. The uneconomic parts are being closed by the Treuhand.

Depending on the level of contamination, the reclaimed land will generally be used for recreation or farming. Already some of Mibrag's sites have been turned into lakes and leisure centres.

The financing of the project, considered by energy experts as one of the environmental ministry's most ambitious land reclamation projects in eastern Germany, will be split between the Bund, or federal authorities, and the eastern states. The Bund will pay 75 per cent.

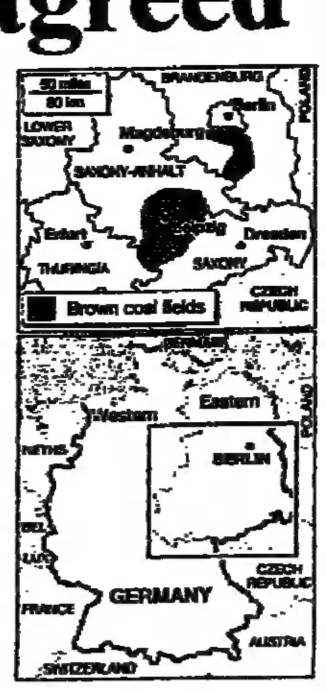
The environment ministry estimated approximately DM1.5bn would be spent each year from 1995 to finance the project, in addition to the DM6bn already spent.

"But apart from bringing the land back to economic use, the decision to continue the land reclamation programme until 2002 means that 17,000 full-time jobs – maybe even 20,000 – will be guaranteed," the ministry said. Many of the employees are former miners made redundant after German unification.

The land reclamation schemes follow closures of several uneconomic brown coal fields belonging to Laubag, eastern Germany's largest lignite complex, located in the eastern state of Brandenburg, and Mibrag.

Brown coal, one of the main culprits of east Germany's environmental problems under the communists, was the main source of energy for the region's factories.

Laubag was recently sold to a west German energy consortium led by Rheinbraun, the brown coal subsidiary of RWE, the country's largest utility, and including PreussenElektra and Bayernwerk.



Scania plans attack on Renault's domination of French bus sales

By Kevin Done, Motor Industry Correspondent, in Angers.

Scania, the Swedish commercial vehicle maker, is to start assembly of buses at its plant at Angers in western France.

It is also raising truck output at the plant, which was opened in 1992 as the group's third European truck assembly facility, to meet rising demand in Europe.

Mr Bengt Klingberg, president of Scania Production Angers, said truck assembly in France had risen from 7 units a day last January to 25 units a day now. In that time the workforce had doubled to 400.

Production would be raised to 34 trucks a day by April with an increase in the labour force to 485 as the plant reached its full single shift capacity of more than 7,000 trucks a year.

The move to begin bus assembly in Angers is part of the group's strategy for expanding its share of the west European heavy bus and coach market from 6 per cent at present to 10 per cent by the end of the decade.

In France it is seeking to weaken the domination of the market by Renault, the French state-owned car and commercial vehicle maker, and Heuliez, its bus-making affiliate.

Mr Arne Karlsson, head of Scania Buses & Coaches, said the company planned to begin bus production in Angers in the second half of 1996. It would produce a range of city and inter-city buses with capacity planned to rise to around 300 a year by the end of the 1990s. The project will create around 250 jobs at full production.

Mr Karlsson said the move signalled Scania's increased interest in the French market. The ability to offer locally built products would provide "a major competitive edge" over European rivals importing buses into France.

France has a total market of around 3,000 city, route, and tourist buses and coaches a year, of which more than 75 per cent are supplied by domestic manufacturers. Around two-thirds of the market are city and route buses.

The bus industry in Europe is going through a period of far-reaching restructuring with several of the leading truck and bus chassis makers such as Mercedes-Benz, Volvo and Scania moving to take over small bus and coach body builders in a sector which has been highly fragmented.

Earlier this year Scania, the world's fifth largest manufacturer of heavy-duty buses and coaches, acquired DAB-Silkeborg, the Danish bus manufacturer, with an annual capacity for 300 buses. It has also entered joint ventures to assemble buses in Poland, Russia and Estonia.

Mr Karlsson said the restructuring in the bus industry would "continue for some time yet". He warned that there was a large number of coachbuilders in particular in southern Europe, that "may run into trouble" because of new market requirements and more stringent legislation.

US and Japan to resume glass talks

By Our Foreign Staff

The US and Japan were yesterday due to re-open talks aimed at fulfilling an autumn pledge to open Japan's $4.5bn flat-glass market.

The two sides struck an agreement in principle in early October but negotiations have failed to yield an actual pact. The two sides have agreed the principles for opening Japan's flat glass market but some issues remain over the details of foreign access and technical aspects.

Washington and Tokyo decided to extend the deadline for agreement on the flat glass sector negotiations after last month's failure to secure a comprehensive accord. Japan has agreed to promote the use of foreign-made glass in some government-funded facilities which would serve as model projects.

There is also broad agreement on the use of objective criteria to measure progress in import penetration. Differences remain, however, over whether the objective criteria should be forward-looking, as the US hopes, or should only measure past developments, as the Japanese insist.

Japanese officials are concerned that forward-looking measures could turn into restrictive targets aimed at ensuring a specific market share for foreign products in the domestic glass market.

There has been less progress in parallel talks on access for US vehicles and vehicle parts in the Japanese market. Negotiations have not been resumed since September when the US cited Japan's vehicle parts after-sales market as being characterised by 'unfair and discriminatory trade practices' and unilaterally began an investigation under Section 301 of its trade act.

Peace process brings dividends for exporters

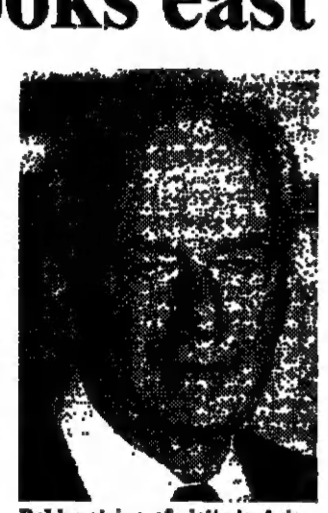
Israel looks east for new markets

By Julian Ozanne in Jerusalem

Israeli exports to Asia have risen by a third in the first nine months of this year, highlighting the growing trade benefits resulting from the Middle East peace process, according to Israeli Treasury officials.

Including diamonds, Israeli exports to Asia climbed to $2.3bn between January and September compared to $1.8bn for the same period in 1993. The Treasury said the trend reflected the development of non-traditional markets. Exports to Asia now account for 12.4 per cent of total Israeli exports, compared to only 8.1 per cent in 1992, the Treasury said.

The figures were announced ahead of next week's visit to Tokyo by the Israeli prime minister, Mr Yitzhak Rabin. During the visit, the first to Japan by an Israeli premier, Mr Rabin is expected to sign two agreements; the first on cultural exchanges and the second on co-operation in science and technology. Israeli officials said the visit would be a landmark in Israeli-Japanese relations after a prolonged period in which Israel regarded Tokyo as taking a pro-Arab line on foreign policy because of its dependence on Arab crude oil.


Rabin: string of visits to Asia

Israeli exports to Japan rose 17.5 per cent in the first nine months of this year to $681.5m, compared to $579.6m for the same period in 1993. However, almost 70 per cent of Israeli exports to Japan are diamonds.

Since the Israeli-Palestinian peace breakthrough last September, Mr Rabin has also visited China, Singapore and Indonesia. After his visit to Tokyo he will travel to South Korea.

The Treasury also said that total exports, including services, are forecast to grow by approximately 9 per cent this year, after a 12 per cent increase last year, and that the high level of inward investment in the Israeli economy would ensure continued high growth of exports in 1995.

Israeli exports of merchandise, excluding diamonds and services, reached $10bn in the first ten months of this year - an increase of 12.1 per cent in real terms over last year.

Agricultural exports rose 7.2 per cent during the first ten months and industrial exports, excluding diamonds, climbed 12.3 per cent. Exports rose 3 per cent to the European Union, 13 per cent to the European Free Trade Association and 7 per cent to the US.

WORLD TRADE NEWS DIGEST

Singapore seeks light-rail tenders

Singapore has called for tenders for two light-rail train (LRT) systems which will serve as feeder services to stations on the existing mass rapid transit (MRT) rail network. Each of the new LRT systems will be about 10km long and cost about S$300m (US$205m). Although Singapore has one of the world's most modern and efficient transport systems, the government is under political pressure to improve the network.

A licensing system which seeks to limit the number of cars on Singapore's roads has pushed the price of owning a vehicle beyond the reach of many citizens. "We cannot promise every Singaporean a car," said Mr Mah Bow Tan, communications minister. "But we can promise every Singaporean a comfortable, convenient and cost-effective transport system." Tenders have been called on a turnkey basis, with submission by the end of January.

Preference will be given to proposals involving joint ventures with equity participation by Singapore-owned companies. *Kieran Cooke, Singapore*

Huaneng in China power deal

Huaneng Power International, together with Southern Electric International (SEI) of the US, is to build a $1.1bn power plant in China's Jiangsu province. Huaneng will own 51.7 per cent of the plant to be built in Nanjing city, SEI about 30 per cent, and local government the rest. Construction of the two 600MW units is to start in 1996 and finish by 1999.

"Capital investment will account for 25 per cent of the total and the rest will be debt," according to a manager in Huaneng's securities department. But the company has still to reach a profit agreement with local government before a contract can be signed. "We hope they will accept Huaneng's current profit scheme approved by the ministry of power industry," the manager said. In June, the ministry cleared a price policy for Huaneng based on a 15 per cent return on net assets. *Reuter, Hong Kong*

Taiwan carrier to expand fleet

Taiwan's China Airlines (CAL) plans to buy up to 10 small regional passenger jets for about $400m. Models under consideration include the Boeing 737 series, the McDonnell Douglas MD-90 series and the Airbus A320. CAL is considering spending $4bn on upgrading its fleet within the next 10 years. The airline wants to expand its current fleet of 37 aircraft by buying about 30 new aircraft and replacing 16 older ones.

Expansion of the company's fleet of larger regional jets and long-distance aircraft with 350 seats or more is also under consideration. *Reuter, Taipei*

EU tariff plan worries Ecuador

Ecuador will be hit if the European Union decides to remove flowers, tuna fish, and shrimp from the general system of preferences granted to Andean countries, according to the government. Support for the Andean countries' export industries through tariff concessions has been part of a EU policy that recognises efforts by Andean Pact governments in the fight against narcotics trafficking. A few weeks ago EU delegates to the Andean-European Commission recommended to the EU Council a 10-year renewal of the existing trade preference list.

A preliminary decision, to be confirmed or rejected by the Council of Ministers on December 19, would remove these agricultural products from the preference list. For Ecuador, which is pursuing free-trade policies and seeking entry to the General Agreement on Tariffs and Trade, this comes as yet another blow, after the US earlier this year imposed anti-dumping tariffs on its flower exports. *Ray Colitt, Quito*

■ Morgan Stanley International of the US has signed a memorandum of co-operation with Indonesia's P T Makindo Securities to establish an Indonesian joint venture investment bank. The proposed bank is expected to focus on share offerings of Indonesian companies abroad and in Jakarta. *AP-DJ, Jakarta*

■ The main terminal building contract at the Kuala Lumpur international airport at Sepang has been awarded to a consortium led by Pernas Precision Engineering and Construction (Perspec). Perspec bid M$1.74bn (US$682m) for the job. The Malaysia-Japanese consortium Perspec-Taisei-Kajima-Shimizu-Hazama outbid eight groups to win the contract to build the passenger terminal. *Agencies, Kuala Lumpur*

■ A Malaysian consortium and Nanjing city authorities formed a joint venture to build a $450m bridge over the Yangtze river in China. Berjaya Engineering and Construction (HK) and the Second Nanjing Bridge Office agreed to set up a bridge development company called Berjaya Second Nanjing Yangtze Bridge for the project. *Reuter, Kuala Lumpur*

Fall in sales of new cars alarms traders

By John Griffiths

A further sharp fall last month in the number of cars purchased by private buyers has caused increasing alarm in the UK motor trade.

Industry officials yesterday described last month's 13.5 per cent fall in the number of new cars bought privately, compared with November 1993, as another indication of a faltering in the economic recovery and lack of consumer confidence.

However, a further strong rise in commercial vehicle registrations last month – of 17.13 per cent year on year - and a 15.7 per cent rise in fleet car registrations, is seen by some analysts as indicating that the industry may need to look elsewhere to explain the steep fall-off in private buyers during recent months.

They suggest that higher prices than private buyers consider justified, followed by rapid depreciation – caused in part by manufacturers giving priority to the fleet market – are leading private customers to opt for low-mileage used cars.

Mr Alan Pulham, director of the National Franchised Dealers Association, has criticised manufacturers' pricing policies and the fact that cars are mainly designed for the business car market. Overall, he says, the price of a medium-sized family car is about £2,000 higher than it would be otherwise and values on the used market have been undermined by deeply-discounted sales to fleets.

Prof Garel Rhys, professor of motor industry economics at Cardiff Business School, has warned that many private buyers may not return to the new car market until prices fall nearer to North American levels, which can be up to 40 per cent lower than in the UK.

Statistics from HPI, the vehicle finance monitoring organisation, also show credit purchases of used cars rising by 11.1 per cent in the first nine months of this year – almost twice the new car level.

Manufacturers publicly insist that the problem is one of confidence. "The continuing decline in the retail market in November continues to demonstrate how fragile consumer confidence remains," Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, said.

Rover Group also blamed the low number of private buyers mainly to poor consumer confidence, linked to non-recovery in the housing market.

"There might be some people out there who have decided to opt for used cars. But most people will always want a new car. It will all change back-these things go in peaks and troughs," a company spokesman said.

The SMMT statistics released yesterday showed new registration of 126,854 last month, down 0.6 per cent on a year ago.

Japanese manufacturers forge ahead as Europeans slide

UK registrations of new cars	Nov 1994 Volume	Nov 1994 Change%	Nov 1994 Share%	Nov '93 Share%	January-Nov 1994 Volume	January-Nov 1994 Change%	January-Nov 1994 Share%	Jan-Nov 93 Share%
Total market	126,854	-0.6	100.00	100.00	1,837,696	+7.8	100.00	100.00
UK produced	56,884	-0.4	44.8	44.8	785,915	+9.7	42.8	44.4
Imports	69,970	-0.8	55.2	55.2	1,051,781	+11.1	57.2	55.6
Japanese makes	15,688	+11.2	12.4	11.1	224,280	+2.9	12.0	12.6
Ford group	28,238	+0.1	22.2	21.9	409,511	+9.2	22.2	22.1
– Ford	27,685	+0.3	21.8	21.6	403,227	+9.3	21.9	21.7
– Jaguar	553	+41.4	0.4	0.3	6,284	+5.2	0.3	0.4
General Motors	22,997	-9.9	18.1	19.7	308,323	+2.8	16.8	17.6
– Vauxhall	22,569	-8.5	17.8	19.3	299,333	+2.8	16.3	17.1
– Saab*	428	-24.1	0.3	0.4	8,990	+2.9	0.5	0.5
BMW group	20,192	-0.8	16.0	15.9	274,872	+3.9	15.0	15.5
– BMW	2,487	-12.7	2.0	2.2	44,161	+12.0	2.4	2.3
– Rover**	17,705	+1.2	13.98	13.71	230,711	+2.4	12.6	13.2
Peugeot group	13,609	-18.9	10.8	13.0	224,976	+4.4	12.3	12.5
– Peugeot	8,436	-23.8	6.7	8.5	142,477	+4.0	7.8	8.0
– Citroen	5,173	-9.8	4.1	4.5	82,499	+5.3	4.5	4.5
Volkswagen group	7,687	+3.8	6.0	5.7	118,539	+21.8	6.3	5.7
– Volkswagen	4,876	-0.4	3.8	3.8	72,293	+17.0	3.9	3.6
– Audi	1,273	+4.4	1.0	1.0	22,284	+16.8	1.2	1.1
– SEAT	824	+88.0	0.7	0.4	12,549	+50.3	0.6	0.5
– Skoda†	634	-4.2	0.5	0.5	11,413	+37.7	0.6	0.5
Renault	7,725	+63.7	6.1	3.7	109,226	+22.1	5.9	5.3
Nissan	6,815	+9.0	5.4	4.9	88,083	+4.5	4.8	5.0
Toyota	3,485	+13.5	2.7	2.4	49,654	-2.3	2.7	3.0
Fiat group	3,951	+44.8	3.1	2.1	61,749	+33.9	3.1	2.5
– Fiat	3,721	+47.1	2.9	2.0	55,980	+35.4	3.0	2.4
– Alfa Romeo	213	+43.9	0.2	0.1	1,837	-22.2	0.1	0.1
– Lancia	17	-66.6	0.0	0.0	192	-65.8	0.0	0.0
Volvo	2,318	-24.0	1.8	2.4	39,945	-3.4	2.2	2.4
Mercedes-Benz	1,927	-5.8	1.5	1.6	28,474	+41.1	1.6	1.2
Honda	2,804	+61.8	2.2	1.4	37,359	+30.3	2.0	1.7

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 31% of Skoda and has management control.

Source: Society of Motor Manufacturers and Traders

Company law voting rights change mooted

By William Lewis

Following recent public anger at big pay rises such as the 75 per cent awarded last month to Mr Cedric Brown, chief executive of British Gas, Mr John Major has asked ministers and officials to come up with ways of giving shareholders greater influence over directors' pay.

The prime minister believes this will allay suspicion that the government is unwilling to curb large salary increases for directors while clamping down on workforce pay.

Top of the agenda is a possible change in company law to give shareholders the chance at company annual meetings to vote specifically on directors' salary packages. One idea is that shareholders would be given a summary of the main points of directors' contracts and asked to approve them if they have changed substantially from the previous year.

At the moment the only means by which shareholders can register their disapproval publicly at directors salaries is by voting against the acceptance of a company's annual report and accounts or by voting against the election or re-election of non-executive directors who usually set the pay of executive directors.

"Neither of these are very satisfactory," said a fund manager of a large pension fund. "Non-executives only come up for re-election every three years and getting rid of them would undoubtedly cause problems for the company."

Mr Stuart Bell of PIRC, the corporate governance consultancy, agrees. He says voting against an annual report or the re-election of non-executive directors is a "sledgehammer-and-nut syndrome."

PIRC supports giving shareholders a formal mechanism to vote against directors' pay, as does the UK Shareholders Association, which represents individual shareholders.

Its chairman, Mr Donald Butcher, said: "If the government's idea is to encourage greater transparency so that shareholders have a better understanding of how much directors' are paid and also the means by which to vote against it, then that can only be a good thing."

The answer may lie in corporate governance developments in the US. A ruling by the US Department of Labor means that US pension funds may now have to exercise their votes in overseas companies in which they hold shares. "If that happens then we will surely see UK institutions also starting to vote, even if it is just to stop US funds becoming too influential," one fund manager said yesterday.

Advertising standards body raps TV campaign

By Diane Summers, Marketing Correspondent

The Advertising Standards Authority has upheld two separate complaints against British Sky Broadcasting over its poster advertising, accusing the company of trivialising violent crime.

The ASA findings, published today, follow a request on Monday by the Independent Television Commission for BSkyB to purge images of Joseph Stalin in future television advertisements.

The first poster objected to by the ASA was headlined "The Simpsons. You saw it first on Sky" next to a police photograph of OJ Simpson, the former American football player accused of murder. The photograph was captioned "Sky News. On the hour, every hour, 24 hours".

The ASA said it considered it offensive "to trivialise a crime of this nature."

The second complaint concerned a poster featuring the chalk outline of a dead body with an erect penis. The poster was headlined "Cause of death: Madonna" and advertised a film on Sky's movie channel. The ASA said it was concerned about the use of the image, "particularly in the context of a poster advertisement".

BSkyB said the poster was part of a campaign "characterised by irreverence, wit and sense of fun".

Pearson, owner of the Financial Times, has a 17.5 per cent stake in BSkyB.

● The ASA upheld two separate complaints about two companies, Gemini Systems and Stealth Electronics, advertising devices claimed to counter police speed traps. The authority said Gemini Systems had failed to substantiate their claims and that the "use of their product in the intended manner would constitute an offence".

Glaxo is sued over dye used in hospitals

By Richard Wolffe

Glaxo, the pharmaceuticals manufacturer, is being sued for more than £80m ($131m) by about 400 former hospital patients in the first of a series of cases over the medical dye Myodil.

Lawyers acting for the patients say the action, to be heard at the High Court in London in April, represents a test case for other Myodil claims. Lawyers are thought to be preparing cases in Scotland and Ireland, and the dye was also used in Australia, Canada and South Africa.

The patients claim that Myodil, which was widely used in spinal X-rays between 1944 and 1987, damaged nerve roots, causing acute pain and even partial paralysis.

They allege that Glaxo failed to issue adequate warnings about side effects. Glaxo denies negligence.

Myodil was discontinued seven years ago when, Glaxo said, demand had declined. The oil-based dye fell out of favour in the early 1980s as water-based products and non-invasive techniques became popular. Doctors would inject the dye as part of a technique called myelography. The Myodil patients allege the dye remained in the spine for several years, leading to the condition known as arachnoiditis – inflammation of the membrane in the spinal column.

Glaxo argues that the risks were highlighted in leaflets which accompanied the product. The company said: "We supplied this product to meet the needs of a very knowledgeable medical profession. It was known for many years that myelography could be followed by arachnoiditis."

Mr Simon Gowler of Alexander Harris, the law firm representing the patients, said: "They said there was a risk of arachnoiditis, but that can mean many things to many people. There is a huge difference between arachnoiditis which can be seen on a myelography film, and those who develop symptoms."

The Myodil case would be the first UK group action for *personal injury against a drug* company to come to trial. Previous cases have been settled out of court because both sides have been deterred by heavy legal costs.

Cash hopes rise for creditors of Nadir's empire

By Jim Kelly, Accountancy Correspondent

The administrators to Polly Peck International, part of the collapsed business empire of fugitive businessman Asil Nadir, announced a breakthrough yesterday in settling the claims of creditors.

As a result of a deal, agreed in principle with creditors of other parts of the Polly Peck Group, an interim payment is now likely to be made to as many as 1,500 creditors by early next summer.

Mr Christopher Barlow, a partner at Coopers & Lybrand and lead administrator to PPI, told creditors yesterday that he estimated the interim dividend at 1.2 pence to 1.8 pence in the pound.

Further payments are possible up to a further 2.6 pence in the pound, although that does not include income from legal claims or assets currently held beyond the reach of the administrators in northern Cyprus.

Last May Mr Nadir fled the UK for his native Cyprus while facing charges of false accounting and theft involving £34m. The administrators reported yesterday that they were in talks with the government of northern Cyprus on settling control of the disputed assets.

In his eighth report to creditors since the collapse of the company in 1990 with debts in excess of £1bn, Mr Barlow was able to announce that complex legal issues stemming from the structure of the Polly Peck Group were very close to being settled. A deal is expected to be signed within a week.

As a result, $180m held in PPI Holdings BV, a Dutch company, will be released and some funds allowed to flow on to PPI. The funds include the proceeds of the sale of the Del Monte fresh-fruit business.

The deal puts in place an agreed formula for the distribution of future assets realised from the Polly Peck Group and should mean that they will flow relatively smoothly to the creditors of PPI. The deal would also settle a legal dispute over the routeing of funds through the Polly Peck Group involving $400m. The total assets so far realised from the Polly Peck Group total $680m.

The report to PPI creditors says the deal, if signed, will remove scope for further arguments about claims from the different sets of creditors in the Polly Peck group. The basis of the split between groups of creditors is confidential.

Mr Barlow said he was "cautiously hopeful" that direct talks with the government in northern Cyprus would unlock the remaining assets, which include three hotels, a cardboard box company, and a fruit packer. The assets in question in northern Cyprus have a book value of £50m, but it is thought they would realise more than £15m if sold.

Bank faces ban on Sunday working

By Alison Smith

Banking unions yesterday urged their members not to volunteer for Sunday working, as National Westminster Bank confirmed that 23 of its 2,500 branches would be open for business on the two Sundays before Christmas.

The NatWest Staff Association, which has about 40,000 members, and the banking union Bifu, which has about *15,000 members in NatWest*, urged staff not to volunteer. This will mean that the bank's management will have to negotiate terms for Sunday working. NatWest is the first of the four biggest UK high street banks to make this move. The others said yesterday that they had no plans to do likewise.

Branches will be open between 10.30am and 3.30pm in areas including shopping centres and high streets, where area managers believed believed there was a commercial justification for opening and staff are prepared to work on Sundays.

Bank customers using the *branches will be asked their* views about Sunday opening. A strong and positive response would increase the prospect of regular Sunday opening next year.

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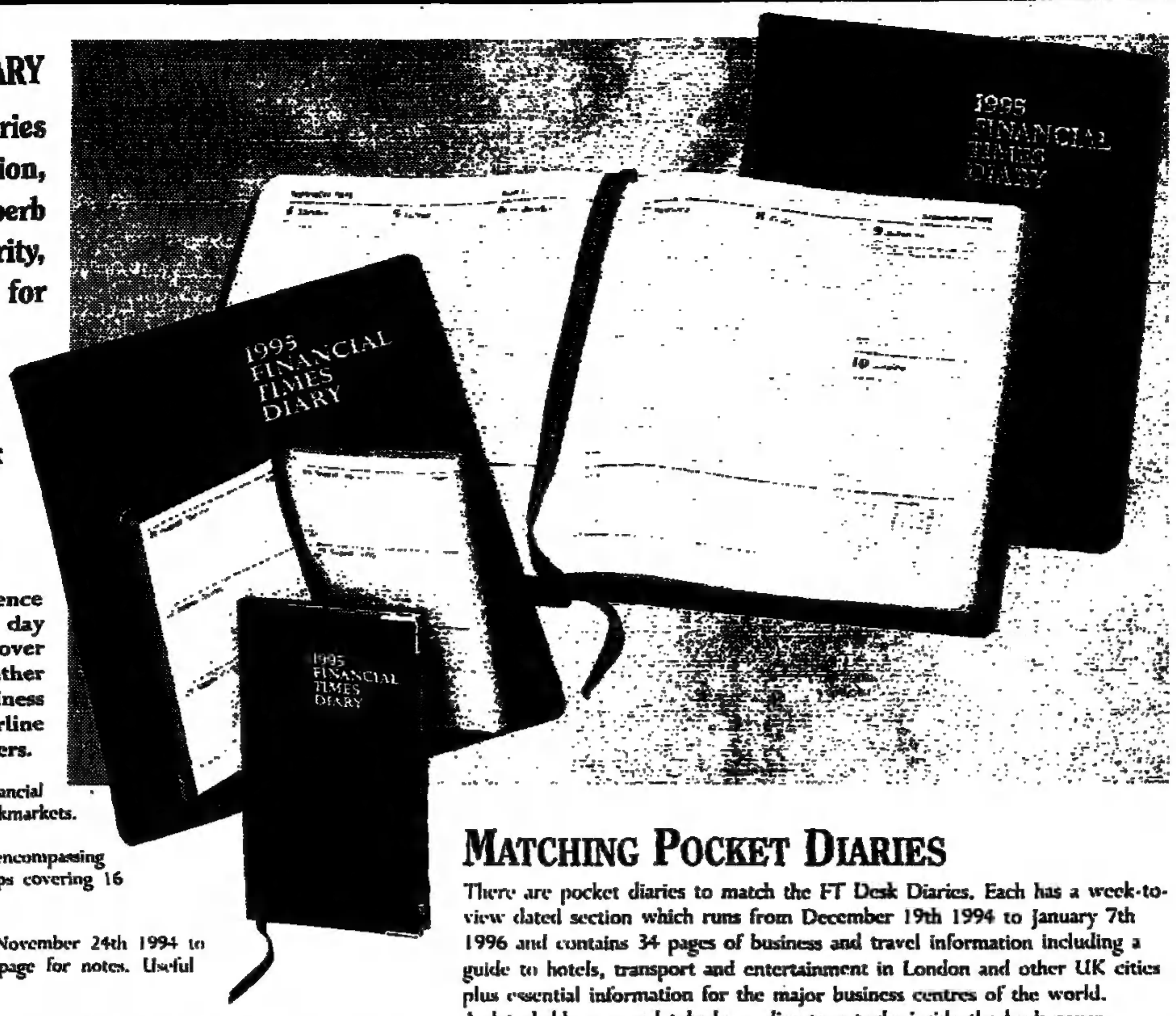

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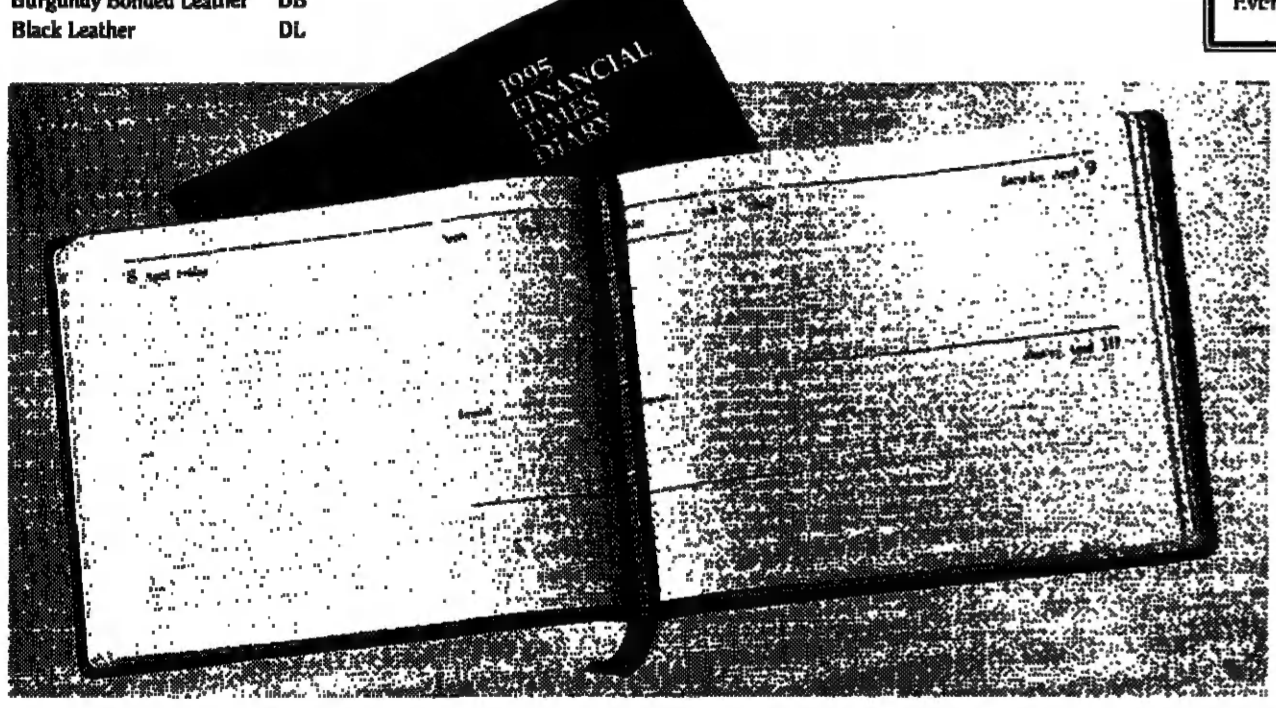

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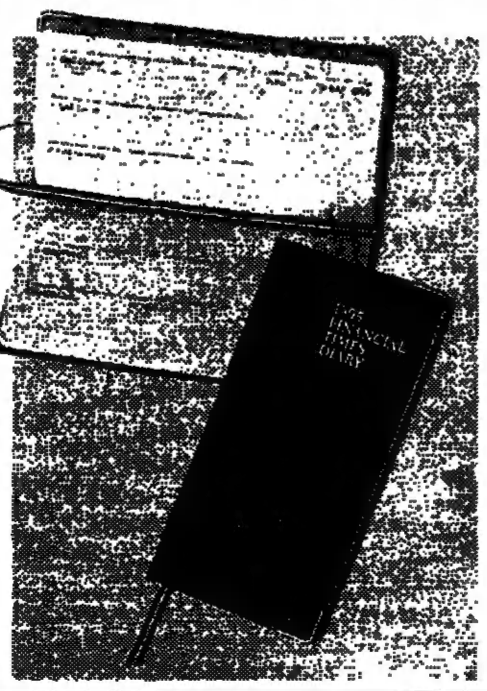

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UK NEWS DIGEST

Firebombs mailed to six branches of Barclays Bank

Police urged vigilance after six firebombs were posted to London branches of Barclays Bank. They warned that more could still be in the mail. One worker suffered shock and another was slightly injured but declined treatment when two devices went off as staff opened the post at branches in Hampstead High Street and Ladbroke Grove.

Anti-terrorist officers made safe devices at King Street, Hammersmith; Gloucester Road; Kensington High Street and Edgware Road. There was no immediate claim of responsibility for the firebombs which police said were posted in the London area within the last 24 hours. They were in video cassettes with the cover The Mardi Gras Experience and wrapped in Christmas paper.

"Barclays staff and other financial institutions should be alert to the possibility of further devices," said a police spokesman. "It's always possible some may have not yet arrived or more may be posted." Detectives are particularly interested to hear from retailers who may have recognised the distinctive wrapping paper, which was blue with gold snowflakes, or the video cassettes.

Lord Mayor fears 'second Dallas' near Queen's castle

The Queen has given permission for oil exploration work to begin early next year near Windsor Castle. Canuk Exploration, a small oil company based in Gerrards Cross, 60km north-west of London, believes as much as 100m barrels of oil could lie 1,000 feet below the royal castle

"In any other location, it would have been tested years ago," said Canadian geologist and oil executive Dr Desmond Oswald. "But nobody previously has had the courage." He dismissed suggestions that the testing, in the Game Park about 600 metres from the nearest part of the castle, would mean that the Queen would have to endurethe stench of crude oil. "There would be no more smell than there is around a garage," he said.

He insisted that "everything would be restored to its previous condition" once the unobtrusive exploratory work was complete. If oil is found it will be extracted away from the castle using "extended reach" drilling techniques. Windsor's lord mayor Mr Dennis Outwin said: "Although we are assured that Windsor Great Park will be barely affected by this, I frankly find that hard to believe. It's bound to lead to Windsor Great Park being turned almost into a second Dallas."

Job-cutting telecoms group gives assurance on further cuts

British Telecommunications yesterday assured its workforce that it saw no need for any compulsory redundancies "in the foreseeable future". The group, which earlier this year announced plans for 15,000 redundancies during its current financial year to March, has so far agreed 13,000 voluntary redundancies and said this year's programme was on target. Unions said they were pleased they had been able to secure redeployment of staff members who wished to stay.

In August, Sir Iain Vallance, BT chairman, said he was aiming to shed a further one-third of the group's workforce in the medium term. That would lead to about 50,000 redundancies in addition to the nearly 90,000 imposed in a cost-cutting exercise during the past four years. The redundancies would reduce BT's workforce to about 100,000, less than two-fifths of its size in 1990.

This week Mercury Communications, BT's largest competitor, said it would cut 2,500 jobs – nearly a quarter of its workforce – over the next year. The National Communications Union – which Mercury does not recognise – said it would press to make the cuts voluntary if possible.

More Scots back Labour

Support for Labour in Scotland has risen eight percentage points to 55 per cent at the expense of every other party, says the latest System Three poll. The Scottish National party has fallen back to 25 per cent from 27 per cent. The Conservatives are down to 12 per cent from 13 per cent.

BBC appeals for support

The BBC has appealed to the commercial television companies and the Independent Television Commission to support the corporation's move into the global marketplace. Mr Bob Phillis, deputy director-general, said that if the BBC was unable to supplement the licence fee either programme quality would suffer or there would be a revival of the argument that the BBC should carry advertising. BBC broadcasting is financed by a levy of £86.50 ($142) on all users of television sets.

Minister spells out cuts in police and army costs that are expected to follow terrorist ceasefires

N Ireland 'peace dividend' may total $295m

By John Murray Brown in Belfast

A saving of £180m ($295m) can be expected from cuts in security expenditure over the next three years following the paramilitary ceasefires in Northern Ireland, Sir Patrick Mayhew, Northern Ireland secretary in the UK government, announced yesterday.

His announcement of a "cautious peace dividend" will give a welcome boost to the local economy ahead of next week's International Investment Conference in Belfast. The move comes just four days before the historic opening talks between British government officials and Sinn Féin, the IRA's political wing.

The savings, which Sir Patrick unveiled together with public expenditure plans for Northern Ireland, represent cuts in the compensation paid for bomb and other terrorist damage to property and a planned reduction in the overtime bill of the local police. The savings will be used to boost the local education and health budgets.

Spending on law and order, excluding army costs which are carried by the UK Ministry of Defence, is £899m a year. Some £50m will be saved this year, rising to £60m in 1996-97 and a further £70m in 1997-98. Police overtime currently costs £82m a year.

Overall spending for Northern Ireland over the period is expected to remain fairly constant at £8bn in real terms.

Sir Patrick warned that the measures depended on maintaining the ceasefire. He also emphasised that police numbers would remain the same and that recent security moves, reducing police and the army on the streets, could be reversed "within 24 hours".

Sir Patrick said there had been a "substantial" number of acceptances of invitations to the investment conference.

After apparent US pressure, the government announced that representatives from the economic committees in Belfast and Londonderry city councils had also been invited to the working sessions.

However Sinn Féin seemed set to boycott the investment conference, complaining that it had been snubbed, and demanding to be treated equally with the other political parties.

The row surfaced after it emerged that a full invitation to the dinner had also been sent to the small non-sectarian Alliance party's Mr John Alderdice, who is only a local councillor and whose party has less electoral support than Sinn Féin.

Government officials yesterday said the three Belfast Sinn Féin councillors – Mr Mairtin Muilleoir, Mr Joe Austin and Ms Una Gillespie – had initially indicated that they would attend the Wednesday sessions. Sinn Féin said yesterday, however, that they were boycotting the conference. The three briefly picketed offices of the Industrial Development Board which is handling the conference, complaining that they were treated as "second-class citizens".

Tories rapped ahead of VAT vote

Mr Tony Blair, leader of Britain's opposition Labour party, yesterday accused the government of risking the health of pensioners by imposing value added tax on heating fuel to finance tax cuts before the next election, Kevin Brown and David Owen write.

In acrimonious Commons exchanges, Mr Blair repeatedly accused Mr John Major and Mr Kenneth Clarke, the chancellor, of breaking election promises not to increase the rate or scope of VAT.

He told MPs: "The price of tax cuts next winter will be that more of Britain's pensioners will freeze this winter."

Mr Blair's comments came amid frantic efforts by senior ministers and government whips to rally support for an increase in the VAT rate, against a background of growing unrest among Tory MPs.

Mr Clarke accused Labour of failing to face up to the policy implications of their attempt to prevent the tax increase.

As the five-day Budget debate neared its conclusion he urged them to show their commitment to healthy public finances by indicating whether they wanted lower taxation or higher public borrowing.

Mr Jack Cunningham, shadow trade and industry secretary, refused to anticipate a Labour budget, which was unlikely for another 2½ years. He said Mr Clarke was being "absolutely fatuous" in making such a demand.

Mr Michael Heseltine, trade and industry secretary, defended the VAT increase and insisted that it had enabled the chancellor to produce a Budget that had "gained the confidence of the markets".

Underlining the importance of market confidence, Mr Heseltine said it was "an essential pre-requisite" to maintaining the economic growth on which the prosperity of the nation depended.

As Mr Major flew home early from the European security conference in Budapest, Mr Clarke and Mr Richard Ryder, chief whip, were locked in a series of meetings with rebellious backbenchers demanding the withdrawal of the increase.

Even government loyalists were grumbling about the refusal to drop the second tranche of VAT on heating fuel, which will raise the rate of tax from 8 per cent to 17.5 per cent. One backbench MP, normally counted as a strong supporter of Mr Major, said the issue had been handled with "all the guile of a newt."

Downing Street officials said that the prime minister stood by warnings from Mr Clarke that the government would have to raise other taxes if Conservative rebels succeeded in forcing the withdrawal of the VAT increase.

The second tranche will raise about £1.5bn in a full year, on top of some £1.4bn raised by the first tranche increase from zero to 8 per cent. The government has already announced compensation worth £850m, mainly to pensioners.

Major's minority government

Party	MPs
Conservative	321
Others	
Labour	269
Liberal Democrat	23
Ulster Unionists (Northern Ireland)	9
Plaid Cymru (Welsh nationalists)	4
Social Democratic and Labour (Northern Ireland)	4
Scot nationalists	3
Democratic Unionists	3
Popular Unionists (both Northern Ireland)	1
Conservative whip withdrawn because of Euro-rebellion	8
Resigned Conservative whip in sympathy with rebels	1
Speaker and deputies (vote only when casting vote needed)	4
Seat vacant because of MP's death	1
Total others	330

'Sleaze' inquiry to look overseas

By Andrew Adonis, Public Policy Editor

The Nolan committee on standards in public life is to examine recent moves to regulate abuse of public office in the US, France, the Republic of Ireland and Australia.

Lord Nolan announced yesterday that his committee's first report, to be published next spring, will cover the House of Lords, the unelected upper house of parliament.

The committee was established by Mr John Major, the prime minister, after allegations of "sleaze" against some Tories in the wake of a series of ministerial resignations. One of the allegations was that some MPs were willing to put questions to ministers in return for cash payments.

Lord Nolan, a law lord, said he expected hearings early next year to be held in public. He added that the three main areas to be covered by the first report would be:

- Parliament, including "cash for questions" in the Commons and the role of lobbyists. Controversy about those issues led to the resignation from the government of junior ministers Mr Neil Hamilton and Mr Tim Smith in October.
- Ministers and civil servants, notably the acceptance of gifts, possible conflicts of interest, and employment on leaving office – issues raised by cases of former ministers and civil servants taking jobs with companies they were responsible for in government.
- The "big-spending quangos" – short for "quasi-autonomous national government organisations" which are outside the government although their leaders are appointed by ministers. The Nolan committee will examine methods of appointment and possible conflicts of interest.

Air traffic control 'to be sold furtively'

The government is secretly planning to sell off air traffic control, Mr Henry McLeish, the opposition Labour party's transport spokesman, alleged yesterday. He said the Civil Aviation Authority's budget was to be cut so severely that only through privatisation could it make its targets.

The authority's external financing limit is to fall from £52m ($85m) in 1994-95 to £27m in 1995-96 and to £3m in 1996-97. It will rise to £6m in 1997-98.

Mr McLeish said this meant air traffic control was to be privatised "without even the decency of a public statement". He said responses to the government's air traffic privatisation proposals had been published in an obscure written answer to a question in the House of Commons.

Almost 190 people had responded to a paper about the possibility of privatisation, and 168 had opposed the plan or had expressed doubts.

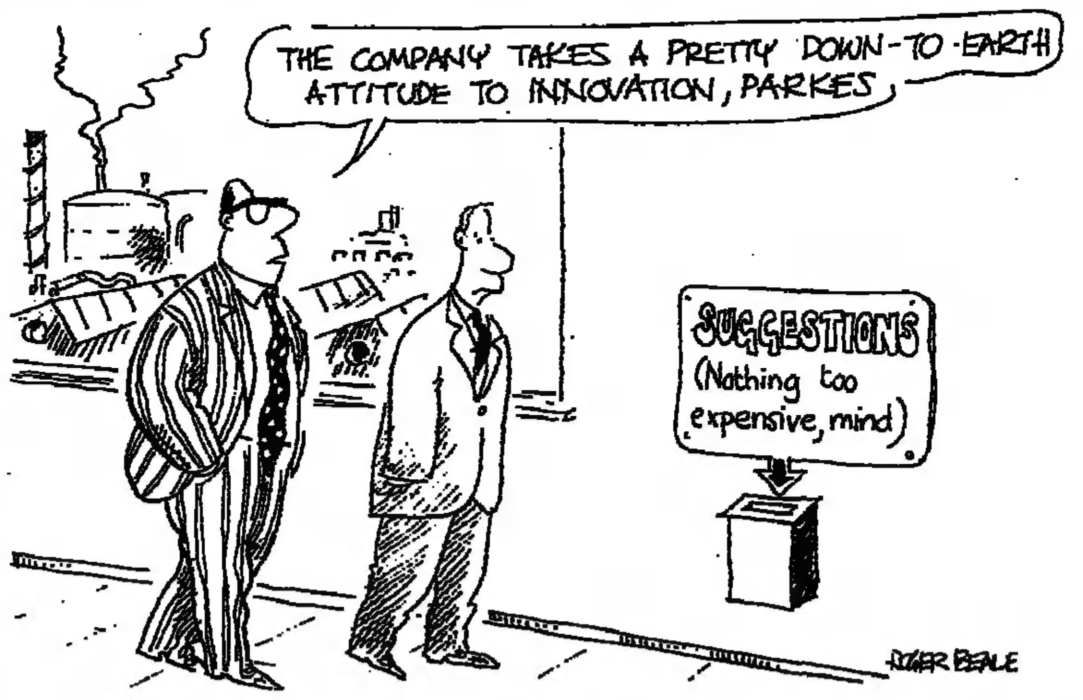
Of the 14 people supporting the government one was a Conservative MP, three were potential competitors to the CAA and three were privatisation consultants.

Mr McLeish said: "Never has the lack of support for the dogma of privatisation been so clearly demonstrated."

MANAGEMENT

Vanessa Houlder looks at the ways big companies encourage innovative employees

Rewards for bright ideas



Last month a group of experts on valve emissions controls, aluminium sulphate elimination and vibration-aided furnace decoking held a celebration in a Buckingham management centre.

These were the winners of a new award set up by BP Chemicals to encourage innovation. It is one of a number of companies hoping that the recognition of success will provide role models, encourage innovators and motivate others.

Bryan Sanderson, chief executive of BP Chemicals, says he was startled by the response to the awards, which attracted 155 entries. "It seems there was a lot of potential for innovation which we did not know about," he says.

The awards were conceived at a time when BP Chemicals was concerned about a staff survey that suggested many employees did not feel the company was innovative.

That posed a problem for a company which believes that its drive for greater efficiency of the last few years has to be replaced with a more creative philosophy. "Rapid cost reduction and focusing is a miserable management job but conceptually it is easy," says Sanderson. "But getting the next phase of profit improvement is difficult and increasingly it will have to come from more innovative thinking which increases performance and productivity."

When BP Chemicals decided to introduce an innovation award, it looked to similar schemes set up by BOC, the UK gases company, 3M, the US manufacturing group, Dow, the US chemical company, and Elf Acquitaine, the French petrochemical company. Some of these awards are designed to recognise technological achievement; others to recognise innovation in every function of the organisation.

These innovation awards tend to reward winners with glory, rather than hard cash. Like BP, which primarily gives its prize winners "a big public thank-you", BOC does not give cash awards for its main scheme. Instead, winners receive a team trophy, individual plaques, some publicity and a trip to London, Washington or New York for a meeting with BOC's top management and a dinner dance.

Some companies have experimented with giving sabbaticals or grants to their most creative employees. In 1991, an IBM research centre in California introduced a scheme which rewarded the person who had the best idea with the services of a research assistant for two years.

One reason why companies shy away from financial rewards for innovation is that bringing an idea to market often involves complex teamwork in which it is hard to assess individual achievements.

The importance of teamwork in bringing new ideas to the market was a factor in BOC's setting up an award for technological innovation five years ago. It felt its reward structure placed too much emphasis on individual achievement. That was compounded by scientists' tendency to revere individuals for past scientific achievements. "We wanted to change our recognition system to put more emphasis on teams," says Deb Chatterji, managing director, technology.

Awards can raise the profile of an innovation but they cannot work in isolation. If an organisation is inimical to innovation, investing £25,000 a year on an award scheme is little more than window dressing.

Even companies with highly creative employees will not produce innovations unless the resources are available to ensure that new ideas are commercialised. Market-driven innovation also needs good communications between the design, development and marketing arms of the company.

Moreover, many companies frustrate the creativity of their employees with badly-designed incentive schemes linked to short-term goals, according to Clive Fletcher, a psychologist at Goldsmith's College at the University of London. "Companies often operate systems which squeeze the innovation out of people," he says.

He believes that introducing awards for innovation can play a useful role. "Set against all the things that organisations do which counter innovation, it is a positive step," he says.

The difficulty in measuring creativity makes it hard for companies to assess the effectiveness of award schemes. However, top managers are enthusiastic. "It is hard to measure but one gets a clear feeling that it has a motivational impact," says Chatterji.

All aboard for the Channel tunnel

Allan Black explains the merits of having a union as a business partner

The executive of the GMB union formally decided yesterday to join a consortium of companies in its £2.7bn bid to build the Channel tunnel rail link.

We have been asked, along with other rail and transport unions, to take an equity stake in return for an interest in a new railway and associated real estate. The project includes two stations at Waterloo and St Pancras in London and nearly 70 miles of track to the tunnel entrance.

When Costain, the UK building company with a turnover of £1.2bn, approached me to ask the GMB to join the consortium – which also includes international companies Hochteif, Nisimatsu, Siemens, Hambros Bank and Prideaux Associates – even Costain admitted it was with some trepidation. The view that a union could be a partner on the board of management is not a common one in the UK.

But it is in Europe. Building unions into the consortium of a project is just part of the procedure to win contracts on the Continent.

The British construction industry is becoming more Europeanised and its working practices are likely to become more common, as major continental construction firms increase their stake in the domestic construction market.

The Channel tunnel rail link is likely to employ 10,000 workers at its height. Apart from the obvious benefits for the union in future membership – the joint aim is to have a unionised contract – we were delighted to be asked to be a part of the project that will bring so many badly needed jobs to the south and London regions.

The GMB union can offer the workers a package, which includes health and safety measures that will be too good to turn down. We have just appointed five recruitment officers specifically for the construction industry, and when it comes to recruiting on the channel link project we feel we will have the edge because we will already have a foot in the boardroom. This will allow us to have a major say in designing health and safety policies and influencing site organisation.

The endorsement yesterday to proceed with the project will involve having union representation on the supervisory board. Although there are bound to be differences of opinion, the very involvement of unions on the board should encourage a dialogue which will minimise any differences. That dialogue has already begun.

The nature of this dialogue will be set in the boardroom, but also by the investment that the union makes. As a symbol of our commitment to this partnership the GMB is considering how much of an investment it can make. Our finance committee will be considering the investment at its next meeting.

Our discussions with the contractors suggested that there are at least three advantages for employers in partnership projects of this nature. First, an early input on the crucial area of health and safety can save millions of pounds; second, we can establish formal industrial relations procedures, ensuring the smooth completion of this project; third, we can give priority to proper consultation at every stage of the project to ensure that the workforce is fully informed and confident of management's intentions.

Both sides, an employer wanting good industrial relations and a progressive and forward-looking union can gain a great deal from this partnership. The pitfalls can be avoided before they occur.

The Channel link experiment is by far the biggest potential partnership scheme but there are others on the horizon. These include a batch of privatised road building projects which are also likely to attract involvement by foreign construction firms.

Just as the future for the British economy lies in Europe, so the GMB recognises the value of European involvement. We already have an office in Brussels and are talking with the German construction union Bau Stein Erden about forming a partnership in Germany. There are at least 30,000 British and Irish construction workers in Germany alone.

The move throughout Europe is towards international construction firms. Bouygues, the French group, employs 55,000 people, five or six times more than the largest British contractor.

This firm and others are increasingly likely to look towards the British market. The GMB union is ready to work with these companies – we would consider working in partnership with companies in future projects. Companies which recognise the value of social partnership are on the increase.

This is the future, not only for the construction industry, but for British industry as a whole.

The author is GMB national officer for the construction industry.

Mixing MS with work

An international campaign to counter workplace discrimination against people with multiple sclerosis has been launched.

According to the International Federation of Multiple Sclerosis Societies, which is spearheading the initiative with Teva Pharmaceutical Industries of Israel, misconceptions about MS often result in the "inappropriate" management of affected employees. "Losing a job, cutting short a career or being unable to find suitable work can add to the difficulties and uncertainties of coping with the disease," it said yesterday at a London briefing.

Known to medical science for more than 150 years, MS is one of the most common diseases of the central nervous system and afflicts around 2.5m people around the world, particularly young adults. Its cause is not yet known and its course is unpredictable and variable, but it is not fatal.

The IFMSS campaign will encourage employers to look at policies and procedures and "identify realistic goals based on the principle that people with MS are usually able to continue as contributing, productive employees often with minimal or minor accommodations".

Companies should provide information to employees and senior managers which dispels myths (for example, that MS is infectious), increases knowledge about the different ways that MS affects people, and encourages a supporting environment.

"MS is a condition that affects far more people than is generally realised," says George Remington, senior medical adviser of Marks and Spencer and a keen supporter of the campaign. "But it is usually very mild. Few cases are as bad as, say, the cellist Jacqueline du Pré's, which was well known and which alarmed everyone."

Tim Dickson

Further information about Working Towards Independence from Pauline Crowe, Administrator, IFMSS, 10 Heddon Street, London W1R 7LJ. Fax 0171-287-2587.

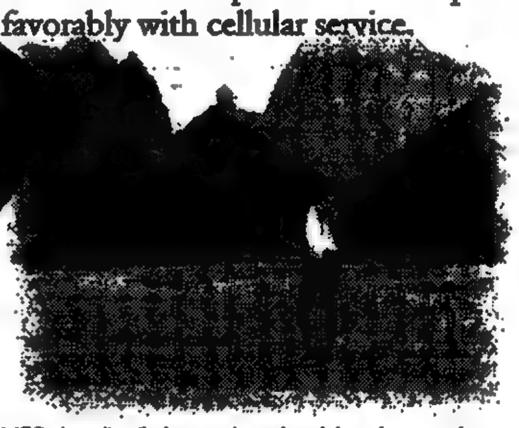
هكذا من الأصل

Astronomical cost has kept the future of personal communications up in the air.

We've just brought it down to Earth.

Today's market is clamoring for truly portable, global personal communications. But the cost of such a system – costs that will ultimately come out of the consumer's pocket – have remained dauntingly high. Until today. Because today we launch the Odyssey™ system, a constellation of medium-earth orbit (MEO) satellites. In a world in which most people lack access to even basic telephone service, this satellite-based mobile communication system will provide convenient, effective, consistent communications to subscribers around the globe. And it will do so at a price that compares favorably with cellular service.

Directed antenna coverage concentrates service on land masses worldwide. Dual-satellite coverage provides even greater assurance of reliable communications.



MEO virtually eliminates the voice delay of geostationary (GEO) satellites and minimizes the shadowing effect of buildings and other obstacles that interrupts low-earth orbit (LEO) and cellular systems.

FROM URBAN CENTERS TO THE MOST REMOTE CORNERS OF THE GLOBE

The Odyssey handset, essentially a palm-sized earth station, will operate in both cellular and satellite modes. Where terrestrial service exists, the Odyssey system will augment it, regardless of regional or carrier compatibility. Where it is absent or interrupted, your handset will link you directly – and transparently – to an Odyssey satellite.

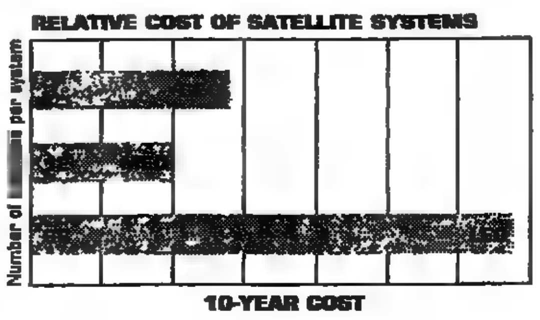
A JOINT VENTURE OF TRW AND TELEGLOBE

For more than three decades, TRW Inc. has stood at the forefront of space communications, enjoying a worldwide reputation built on innovation, reliability and technical excellence. Teleglobe Inc., through its subsidiaries, operates one of the world's most extensive digital telecommunication networks and is a quickly emerging leader in the global mobile arena.

Together, TRW and Teleglobe create the driving force behind Odyssey.

THE BEST VALUE FOR THE USER

Simpler technology and faster start-up are scheduled to bring Odyssey into global service in 1999, before any other system. Superior service and minimal user cost will attract subscribers worldwide.



Licensing authority for the Odyssey system is expected in early 1995. Unlike other systems, it will use frequencies already allocated for this type of service and components derived from proven TRW technology. Initial start-up costs will be 60 percent lower than for the two other major systems in a recent study.* And Odyssey's constellation price will be fixed. Estimating over a 10-year period, replacement satellites for the other systems evaluated will give Odyssey an even more dramatic cost advantage. Just as importantly, subscriber projections indicate that Odyssey will offer the best value for the end-user.

Today, TRW and Teleglobe forge a new alliance to launch Odyssey. For more information, please contact:

North America & South America (New York) Tel.: 212 [illegible] 4267
Europe (London) Tel.: 081 247 0123
Asia (Hong Kong) Tel.: 852 845 1008

ODYSSEY

the adventure is just beginning

* "A Reevaluation of Selected Mobile Satellite Communications Systems: Ellipso, Globalstar, Iridium and Odyssey," 1994. The Mitre Corporation.

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BUSINESS AND THE ENVIRONMENT

Hybrid car sets out

Hydro-Quebec, one of Canada's two biggest power utilities, has developed a hybrid electric car technology that it [illegible] will reduce emissions and [illegible] energy efficiency.

Hydro, best known for long-distance power transmission, electro-chemical [illegible] battery research, has unveiled its Couture Powertrain system, which runs on electric batteries backed up by a small gasoline engine. It has spent C$22m [illegible] since 1991 proving technical feasibility and will spend a further C$50m to reach the commercialisation phase.

The hybrid traction system, designed and developed by researcher [illegible] Couture, uses high-efficiency batteries to drive electric motors in each of a [illegible] four wheels. A conventional gearbox, differential, [illegible] shaft and gasoline engine are not needed.

A small gasoline engine recharges the batteries. The [illegible] system, including central generator-motor, [illegible] computer controlled. It has a 30hp, two-[illegible] gasoline engine, with a catalytic converter. The engine runs for a maximum [illegible] 30 min[illegible] hour [illegible] driving.

Couture says the system offers [illegible] a conventional (internal [illegible] engine) [illegible] efficiency, reduces emissions and [illegible] significant [illegible] in materials. Total vehicle [illegible] is about the same as conventional cars. Manufacturing costs could be less.

Hydro is testing [illegible] technology on a standard Chrysler Intrepid [illegible]. Its rear [illegible] are driven by individual [illegible] motors powered by [illegible] kept in [illegible]. The normal frontwheel drive system is disengaged.

Many groups are working on electric cars and hybrids worldwide. Recent US research [illegible] that better design and electron[illegible] could [illegible] average mileage per gallon to 46, [illegible] 65 per cent, according [illegible] research, but this [illegible] likely [illegible] add $1,000 [illegible] the [illegible]

Robert Gibbens

Manufacturers are trying to cut their use of packaging materials, writes Frank McGurty

Less is more

Ashley Ashwood

Refillable containers and concentrates are more prominent on supermarket shelves

In the early 1980s, when Procter & Gamble first test-marketed a highly concentrated laundry product, few people would buy it. Shoppers were put off by what they perceived to be less fabric softener or washing liquid [illegible] a premium price. Few of them seemed to [illegible] very much that so-called "ultra" products could slash the amount of packaging finding [illegible] into landfills.

But it was hard to keep a good [illegible] down. [illegible] other big consumer products manufacturers [illegible] now profiting from a shift in consumer sentiment. By [illegible] "ultra" – [illegible] concentrated – products were capturing [illegible] cent [illegible] laundry market, according to Green MarketAlert, a trade newsletter.

"Consumers once [illegible] more [illegible] more, now they think otherwise," [illegible] Jacqueline Ottman, a New York environmental consultant.

[illegible] perhaps the most conspicuous [illegible] campaign by [illegible] companies [illegible] the past [illegible] to minimise the [illegible]sirable effects of their packaging, most [illegible] by cutting the amount of material that requires disposal.

"[illegible] reduction" [illegible] word phrase used in the field [illegible] a movement that [illegible] package redesign, "light-weighting", and greater use [illegible] refillable containers and [illegible]. It overlaps with efforts to promote recycling, which [illegible] down demand for virgin materials.

Industry representatives [illegible] environmental [illegible] that it [illegible] a cause that [illegible] coming into its own in the US.

Over the past four years, P&G has [illegible] use of packaging [illegible] by [illegible] cent, including a [illegible] reduction in paperboard. It [illegible] lifted [illegible] materials in [illegible] cent, from [illegible] in [illegible].

"[illegible] is now a critical mass of recycled materials [illegible] our [illegible] and [illegible] of [illegible] competitors," [illegible] Stewart, a spokesman for [illegible].

[illegible] and [illegible] at which [illegible] in [illegible] to [illegible] cent, according [illegible] study prepared by Franklin Associates, a Kansas waste-management consultancy.

In the soft drinks industry, [illegible] American [illegible] Council [illegible] nearly [illegible] per [illegible] of plastic [illegible] shipped [illegible] year [illegible] recycled. [illegible] for aluminium cans [illegible] 63 per [illegible], according [illegible] groups.

In part, these trends have picked up [illegible] of new regulatory [illegible] and increased pressure by government [illegible] of [illegible] stripe, from [illegible] Environmental [illegible] Agency [illegible] local level.

[illegible] administration, [illegible] EPA has placed a stronger emphasis on source reduction in all areas of environmental control. In [illegible] of solid waste, however, [illegible] away from imposing rules [illegible] levels of recycled [illegible] in products or packaging.

Many [illegible] a more [illegible] role, enacting [illegible] that require [illegible] and businesses [illegible] separate discarded cans, [illegible] for recycling. For [illegible] part, there [illegible] strong political support for such [illegible] in spite of recent evidence that the US is not running out of landfill space as fast as was feared in the late [illegible].

Meanwhile, [illegible] have controversial "bottle" bills on their books, which [illegible] recycling by imposing returnable deposit fees on beverage [illegible]. In Florida, [illegible] a unique [illegible] approach. Certain [illegible] that [illegible] for recycling or recycled content are exempt [illegible] an "advance disposal fee".

Mostly, however, [illegible] and the use of recycled materials are succeeding because they can be profitable in their own right.

"Source reduction yields significant economic benefits," says Ann Mattheis, director of the Source Reduction Task Force of the Council of [illegible] Governors. "When companies choose to eliminate or minimise the amount of packaging they use, that translates into reduced costs [illegible] materials, transportation [illegible] retailing."

The task force has sought to prod the private [illegible] gently along [illegible] green path by drawing up a set [illegible] guidelines on preferred packaging. Companies are [illegible] to set their own timetables [illegible] conforming [illegible] the principles [illegible] to report annually on their progress. So far, 50 of [illegible] – [illegible] marketers – [illegible] agreed [illegible] participate.

[illegible] to the ingenious. [illegible] pack [illegible] with 10 per [illegible] less [illegible] by devising a [illegible] ing [illegible]. For [illegible] cooking oil, [illegible] a squat container which carries the same [illegible] per [illegible] plastic [illegible] its predecessor. Many [illegible] pers.

"Because of the economic considerations, companies will [illegible] their [illegible] they can and still [illegible] the integrity [illegible] products," [illegible] Anthony Montrone, vice president [illegible] at the Arthur D. [illegible] consultancy group.

A secondary benefit for marketers is an improved public image. Never[illegible], [illegible] shoppers [illegible] their choice, a product's perceived environmental qualities usually are [illegible] important [illegible] its performance, [illegible] and price, according [illegible] experts [illegible]. "Most often, the [illegible] is a [illegible]. When [illegible] products [illegible] equal, the [illegible] usually [illegible] to [illegible] dolphin," [illegible] Ottman.

Likewise, [illegible] is a [illegible] reason why [illegible] turning [illegible] recycled [illegible] for [illegible] packaging. "Companies [illegible] trying hard [illegible] keep [illegible] of consumers as well [illegible] the policy makers," [illegible] Gifford Stack, vice president of environmental affairs at the [illegible].

But they are [illegible] using more recycled [illegible] simply [illegible] curry favour, [illegible]. "They [illegible] doing it because it makes economic [illegible] – it's a cheaper packaging material," he says.

Not as cheap as it was, however. [illegible] for recycled materials [illegible] over [illegible] in [illegible] because [illegible] US economic [illegible] for raw materials of all types.

Trouble brewing over sewage plan

Lisa Twaronite on controversy in California over recycled water

The idea of beer brewed from recycled sewer water might deter even the most [illegible] beer drinker, but it could become reality in drought-prone southern [illegible].

In August, the Upper San [illegible] Valley Municipal Water District [illegible] on a [illegible] (£15m) plan to pipe [illegible] from a nearby [illegible] treatment facility to an area near the [illegible] plant [illegible] the [illegible] Miller Brewing company.

The US's second-largest brewer responded by filing a lawsuit, expected to be heard early next [illegible], in an [illegible] to halt the project, [illegible] potential pollution [illegible] the [illegible] supply.

"[illegible] believe we have an [illegible] as a corporate citizen, on behalf of our employees and [illegible] throughout California, [illegible] strong concern about [illegible] safety, [illegible] and [illegible] public [illegible] project," [illegible] the company.

[illegible] Berlien, general [illegible] district, [illegible] that the recycled [illegible] will [illegible] all state health standards.

Water is a precious resource in [illegible], where [illegible] is often imported hundreds of miles from [illegible] thirsty urban areas. The San Gabriel Valley now imports [illegible] a quarter [illegible] its [illegible] regions. The proposed reclamation project [illegible] 10bn gallons [illegible], reducing [illegible] valley's dependence on imported [illegible] by [illegible] a third.

"[illegible] pump [illegible] the ground [illegible] puts [illegible] in," [illegible] says. "And the imported [illegible] supply is becoming [illegible] reliable and more and [illegible] expensive."

He points out that water from the same sewage treatment plant [illegible] transported to other [illegible] past [illegible] decades, [illegible] households have [illegible] it [illegible] no [illegible] ill effects.

California has more than 200 [illegible] recycling plants, supplying [illegible] 5 [illegible] the state's [illegible]. First, [illegible] in settling tanks. Next, [illegible] organic impurities. [illegible] through sand and charcoal, and finally mixed with chlorine, to kill anything that remains.

The water [illegible] ready for industrial [illegible] and irrigation, but before being supplied to households it is taken [illegible] "spreading grounds" where it [illegible] released to naturally seep back into [illegible] underground [illegible] supply. [illegible] regulations mandate that the water must remain in the ground for [illegible] least six months before it can be drawn [illegible] and used.

The Miller [illegible] turns about 680m gallons [illegible] water into 170.5m gallons of beer each year. The Irwindale site was chosen, the company says in its lawsuit, for [illegible] proximity to an ample supply [illegible] "high-quality" water, essential to the production of [illegible].

"When 90 per cent of your product [illegible] water, you want to [illegible] sure that water is pure," [illegible] Miller spokesman Michael Brophy. Miller [illegible] concerned that [illegible] of the recycled water will [illegible] industrial waste, which could contaminate [illegible] ground water. The [illegible] of the proposed "spreading ground" is coarse and rocky and therefore unsuitable to filter out [illegible] adequately, says Brophy. The [illegible] authority counters by saying [illegible] the soil is adequate to take [illegible] water.

Miller's [illegible] challenges [illegible] just the proposed project but the [illegible] safety of recycled water. [illegible] says [illegible] prove that people who [illegible] been consuming recycled [illegible] unaffected. It cites a study [illegible] on recycled [illegible] in nearby Orange County, [illegible] found a significant amount of chlorine-resistant bacteria.

Local environmental [illegible] split on the issue. Some favour more impact assessments before recycled water [illegible] put [illegible] into [illegible] ground. Other [illegible] reclamation is a necessary part of responsible [illegible].

"We have some very serious questions about [illegible] project, [illegible] technology [illegible], ultimately, [illegible] effects," [illegible] Brophy. "What's wrong with second-guessing [illegible] a [illegible] district [illegible] doing? [illegible] is something we're [illegible] to keep fighting for."

PEOPLE

Another Barr leaves the ring

The [illegible] Hamble shambles [illegible] claimed another victim – Brian Barr, son of the [illegible] executive, [illegible] yesterday resigned as a director.

Barr, 31, [illegible] £800,000 from the June flotation of the Southampton-based aircraft parts-maker. He was the production director responsible for the performance of the factory where Harrier parts were made, and where the company's problems began.

At the time of the second profits warning in October he was moved from the production to the engineering side of the [illegible]. His father, Andrew Barr, who [illegible] £1.75m from the flotation, took early [illegible].

The [illegible] and son [illegible] in Aerostructures from the Rover [illegible] group. They were [illegible] to introduce Rover-style lean manufacturing techniques to the aircraft industry.

A week ago Aerostructures ended its search for a new [illegible] executive by appointing Christopher West, [illegible] has been acting [illegible] a consultant [illegible] leaving [illegible] Helicopters in 1992.

Yesterday the group announced the appointment of Hugh Curran, 41, as director with responsibility for manufacturing. Curran, now operations director at BTR-Westinghouse Brakes, was formerly with Shorts [illegible]. Both he and West will take up their duties at the beginning of next month.

David Ring, acting chief executive at Aerostructures, [illegible] is not abandoning [illegible] introduction [illegible] techniques learned [illegible] the motor industry. "We [illegible] making sure we [illegible] and [illegible] appropriate technologies – many [illegible] which [illegible] the [illegible] industry. However, [illegible] aircraft industry [illegible] still a [illegible] industry in many ways."

[illegible] in Aerostructures, floated [illegible] 120p, [illegible] in October but [illegible] to 31p. [illegible]

Les Taylor finally retires

Peter Johnson, 47, is to become [illegible] new chief executive of Inchcape Motors Retail, a wholly-owned subsidiary of Inch[illegible] following the [illegible]ment of Les Taylor early next year.

Johnson will take control of one of the UK's largest car [illegible] groups, [illegible] £1.07bn sales in the first half of 1994, and operating profits of [illegible], up [illegible] £35m in the previous year. A former director of Rover Group, in 1988 he moved to became managing director of Applied Chemicals, and then took on his current position as chief executive of Marshall Motors, [illegible] in Cambridge.

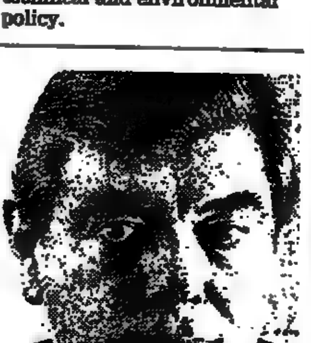
Inchcape has been streamlining its operations following the acquisitions of TKM and [illegible] Group, [illegible] announced [illegible] of its [illegible] on Monday. However, car distribution and retail remain core activities.

Inchcape [illegible] has 109 [illegible] in 32 countries, and represents [illegible] facturers, including Rover, BMW and Jaguar. Its UK franchises include Mann Egerton, Coopers and H.A.Fox.

[illegible] Taylor, 60, had worked [illegible] Inchcape subsidiary [illegible]ham for 30 years, and had [illegible] due [illegible] retire [illegible] summer. [illegible]

■ Ken Vowles, md of generation wholesale, has [illegible] appointed to the board of SCOTTISH POWER [illegible] additional responsibility for technical and environmental policy.

Trying to practice what he preached



Sir David Trippier, the former small firms and environment minister who lost his [illegible]dale seat at the last general election, yesterday entrenched himself firmly [illegible] Manchester's financial and professional [illegible]munity by becoming non-exec[illegible] chairman of the [illegible]ham Group, an emergent corporate finance and [illegible]ment specialist.

[illegible] bought [illegible] by Colin Davenport and Mike Hamlyn – hence the name – from the [illegible]-Anderson Group, then a Bristol-based company with a Manchester [illegible], in 1991 [illegible] even the fabled Sir John Harvey-Jones as [illegible] had failed [illegible] save it [illegible] collapse.

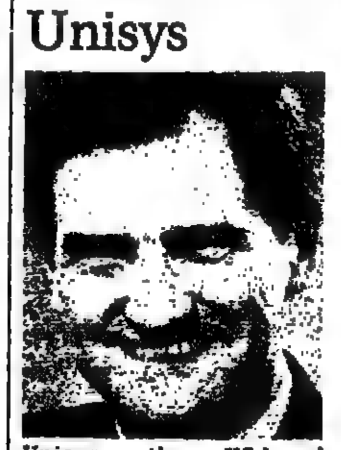
Davenham [illegible] since done well, including managing [illegible] assets of Edington, Henry Cooke group's failed mini-mer[illegible] bank, for the KPMG Peat Marwick administrator; Edington's depositors are now expected [illegible] get back 100p in the pound.

[illegible] in [illegible] and Sheffield, Davenham was backed by £10m of equity and [illegible] buyout, so [illegible] something about its own market, which is finance [illegible]ing business, mainly in the north. It also has a small stockbroking subsidiary in [illegible]. Trippier, who was a [illegible]ker before becoming an MP, will take a [illegible].

Trippier's other [illegible] activities include a seat on [illegible] board of surveyors Dunlop Heywood [illegible] a consultancy [illegible] Halliwell Landau; he [illegible] dropped the chairmanship of Tepnel Diagnostics, [illegible] biotech business [illegible] was spun out of the University [illegible] Institute [illegible] Science and Technology, while keeping his share options.

"I couldn't [illegible] much more for Tepnel now it [illegible] past the start-up stage," [illegible] day. "Because it helps to [illegible] growing businesses, [illegible] always [illegible] to be at the exciting end [illegible] things. It [illegible] certainly hard work trying to do all those things I used to tell people they should [illegible] doing when I [illegible] small firms minister." [illegible] *Fazey*

George Cox to take on Unisys



Unisys, the US-based information technology [illegible] has appointed George Cox as chief [illegible] UK subsidiary in [illegible] John Perry, [illegible] early retirement [illegible] personal reasons.

Cox, 54, [illegible]tly chairman of P-E International, the [illegible] consultancy. [illegible] appointment marks a further stage in Unisys's transformation from a traditional computer manufacturer selling mainframe and minicomputers to an information management company offering a broad range of computing services.

Cox will report to Malcolm Coster, who [illegible] appointed president of Unisys Europe-Africa earlier this year. Coster was formerly [illegible] of international [illegible] development at the management consultants Coopers & Lybrand.

The transformation of Uni[illegible], now trading profitably after several years of losses, is credited to [illegible] Unruh, chairman and chief executive, who has been seeking top management consultants to run strategic areas of the business.

Cox was a co-founder with David [illegible] Butler-Cox, based in London, which was sold to Computer Sciences Corporation in 1992. [illegible] became head [illegible] P-E International where he worked on focusing the company's development, cutting away non-core activi[illegible] improving [illegible] financial strength. [illegible] year he negotiated a merger with Cray Electronics of the UK.

Cos says his immediate job is to develop a marketing approach to help [illegible] Unisys's [illegible] image with the public; most of the restructuring has been done; drastic action is not required. *Alan Cane*

هكذا من الاصل

Television/Christopher Dunkley

Go tell it to the Martians

Figures published last week by the Church of England show that in 1991-92 only 2.8 per cent of the population was attending Anglican churches. So if 97 per cent of the population now stays away, why do the mass media devote so much time to church matters, from women priests to the "politically correct" Bible? A good question but for another column. Television which, even in the days of the "god slot", rarely concerned itself with religious belief, much preferring to have Harry Secombe sing a nice song, now pays virtually no attention to the central tenets of religion – faith, the divine, self denial – favouring instead either programmes designed to comfort the elderly or series concerned with ethics.

It has been said that when people stop believing in god they do not start believing in nothing but in anything. Sure enough British television channels are now competing to show programmes which pander to a rapidly broadening spectrum of increasingly daft ideas, ranging from poltergeists to "angelic intervention". If you object to BBC1 featuring an alleged psychic in the opening programme of the British national lottery you are likely to be called a killjoy. If you suggest that an ITV series purporting to show hypnotism on screen is not only highly questionable (if hypnosis made yellow objects invisible to the subject of Monday's programme, why did he not see straight through the close-fitting yellow suit of the man who was "levitating" the bottle to the body beneath?) but also possibly dangerous, you will be told "It's only a bit of fun".

But is it really a bit of fun when television begins to pursue the irrational with as much, or more, enthusiasm than the rational? On Sunday last week BBC2's *Timewatch* devoted 50 minutes to the theory that the sphinx is much older than the pyramids: "A radical new view of history, pushing the dawn of civilisation back by thousands of years". It began with a seemingly reasonable argument about the speed of weathering, the claim being that the sphinx was more deeply eroded than the pyramids because it was much older. In the letters column of The Times one writer pointed out that the sphinx was buried in the sand for much of its history and, unlike the pyramids, its limestone could thus have been eroded by the slow seepage of water. Another reminded us that the pyramids were originally "streamlined" in a cladding of finely dressed limestone thus avoiding erosion.

How could the *Timewatch* team be so inefficient as to overlook such seemingly obvious and telling arguments? That is hardly the point, as anyone who saw how the programme ended will have realised. Having relied, up to then, on John West, a tour guide with no qualifications in archaeology or anything else, whose method was described as "part psychic intuition, part showmanship", they finally turned to a man named Richard Hoagland. He showed us a photo of the surface of Mars with what could have been an odd smudge or, if you had a powerful imagination, a large stone carving of a head in the desert. So it seems the big question is: [redacted] Egypt's sphinx built by Martians? *Timewatch* used to be a reliable, generally admirable, series. What on earth is going on?

Next day [redacted], an older and even more highly regarded series, spent 50 minutes on a subject which America's pulp paperbacks and screaming tabloids have been exploiting for decades: abduction by aliens. Millions of Americans (mostly women, judging from this programme) claim to have been whisked away to flying saucers by little grey men so *Horizon* happily trotted around and interviewed a few of these poor people. They assured us they were not dreaming, they really did "inter-act with these beings", and if not a single one of the capsules which the aliens habitually stuff up human noses has ever been found that is simply because they are all sneezed out and... and what? And lost in the fluff under [redacted] bed presumably. Presenter Dr Sue Blackmore suggested that belief in alien abduction could best be explained by sleep paralysis or temporal lobe seizure, hence, it may be said, no irrationality on the part of *Horizon*. But is this really the most important thing for Britain's oldest science series to be spending its money on?

Next day, Tuesday, BBC1 screened *Natural Neighbours*. The billing asked "Can we talk to the dolphins? Do they have the power to heal our bodies and our minds?" and the narration began by describing the dolphin as "this mystical animal". Once again American women loomed large among the believers who were seen jumping off a motorboat in the Bahamas to swim among dolphins and then return to declare how good they felt. It was, to say the least, unfortunate that in the case of the most extreme example, a 17-year-old English girl said to be suffering from ME, we were shown just seven seconds of her and her dolphin together in the water, during which time she did not seem aware that he was behind her. Not to worry, though, the girl assured us "I didn't have to tell him I was ill". Anyone who has kept a horse knows there can be a remarkable degree of communication between man and animal. Anyone who has seen the effect of an affectionate dog on a geriatric ward knows that an animal can make the ill feel better. But dolphins healing our bodies? What is the BBC coming to?

Nothing quite as extreme or as silly as ITV. On Friday's *Strange But True?* Michael Aspel first gave us ghosts: not only the *Phantom Monk Of The Stockbridge* By-pass but also the ghosts of the children who might have been killed in an ancient mining disaster and now chose to dance in circles among the electricity pylons. To illustrate this, Aspel had film of them doing it. Well perhaps not film of the actual ghosts; as throughout the whole history of the camera, this programme seems to have been unable to get any authentic photos of ghosts, so they did a nice reconstruction. OK, a nice construction. Well all right, a rather naff and silly bit of invention designed to appeal to the credulous. In the second half we had an account by yet another American woman of how her male partner fell down a cliff and was killed while she somehow arrived at the bottom unharmed. Angelic intervention, she reckoned. No one was rude enough to ask "How come the angels dropped your b[redacted]

Of course there is no denying that material of this sort attracts big audiences. It seems that many people need the irrational in their lives: deprive them of supernatural beings called "gods" and they will jump at the chance to hear about supernatural animals or superior beings from other planets. Television which is now concerned first and foremost with ratings can therefore be expected to offer more and more of this claptrap.

Theatre/Alastair Macaulay

Clandestine Marriage

Urbanity and charm abound in Nigel Hawthorne's directing debut

Nigel Hawthorne abounds in urbane charm. Whether on TV as Sir Humphrey in *Yes (Prime) Minister* or as Alan Bennett's George III (*The Madness of*) onstage, he is a constantly generous pillar of charm and civilised old-world values. Now, in the 1766 comedy *The Clandestine Marriage*, he has returned to the West End, not merely as actor, but also, for the first time, as director; and urbanity and charm are in good supply.

It is not, on this occasion, a charm that runs deep. Indeed, his own performance, as the rheumatic old ninny Lord Ogleby, coasts by on charm, when other directors might have challenged him to give a more verbally audacious performance.

Made up to look like an invalid toad in britches, pasty-faced with black-ringed eyes, he has given himself some splendid physical comic business. When he thinks the pretty young heroine is confessing her love for him, he adorably (a) looks startled (b) cannot resist a smirk (c) starts to swagger (d) waves his stick round in the air. Lovely stuff. But there are too many cute facial appeals to the audience.

The Clandestine Marriage is good Christmas fare, for its tale is *Cinderella* with a twist. Fanny Sterling is the only source of real grace and beauty in her family. Her elder sister and her aunt (Mrs Heidelberg) are ridiculous termagants; her father is a self-made man who is ruled by financial considerations; and all of them undervalue her. Fanny, however, as the title tells you, is already married in secret – to penniless Lovewell. Alas, her sister's fiancé Sir John Melvill defects to her cause; and then Lord Ogleby also becomes her suitor; and confusions escalate.

It takes time, but the play's comedy slowly rises – so much so that the funniest line of all occurs right at the end. This is from Mrs Heidelberg: who announces, when Fanny's marriage is discovered, "She's ruined! – and I forgive her."

Yet this line would not be funny were it not for Susan Engel, who gives a marvellous performance with, above all, the imagination that is so vital to period comedy of this kind. The role has numerous mispronunciations and malapropisms, but Engel makes sure that the main joke is not these but herself: a bizarre booming contralto from the Low Countries in a towering Gainsborough wig. The way she uses her fan is exemplary – never opened, but *wielded*, like a stiletto.

That such a performance can flower here is credit to Hawthorne; so is the very acute playing in small roles. (From the moment William Oxborrow takes snuff, as Trueman, he announces himself as a beautifully inventive comic actor.) And yet Deborah Findlay, whose sheer attack is so welcome as the elder Miss Sterling, is allowed to give a truly stupid performance, forever shaking her red curls in the hope of a laugh, jumping between three or more accents, and gesticulating busily from the elbows out. Simon Chandler, as a posey Melvill, keeps his hands, often frozen in the air, around shoulder-level. Elizabeth Chadwick and Jonathan Cullen, as the clandestine lovers, stress the nervous tension of their roles at the expense of convincing us of their tenderness.

But Christopher Benjamin does good work as *nouveau riche* Mr Stirling; and Timothy O'Brien's sets and costumes are exemplary – elegant and persuasive without ever drawing attention to themselves. Finally the play, and charm, and urbanity, carry the evening.

The Queen's Theatre, W1

Hawthorne as the rheumatic old ninny, Lord Ogleby — Alastair Muir

National Theatre announces 1995 programme

Richard Eyre confirmed yesterday that he was quitting as director of the Royal National Theatre in 1997. He described his years there as "the time of my life". If there was a downside it was the "blocked lavatory syndrome": being responsible for holes in the carpet as well as artistic excellence. "Running the National is like grief – you can never shake it off".

He looks forward to directing films as well as plays, and to writing. There is always the possibility of another big job – like chairing the Arts Council for a Labour government?

Meantime, he announced the 1995 programme. Former RSC director Terry Hands' makes his debut at the National, with Shakespeare's *The Merry Wives of Windsor*, with Dennis Quilley as Falstaff. Then comes Richard Wilson and John Alderton in Joe Orton's *What the Butler Saw*. Dylan Thomas's *Under Milk Wood* appears, and there is a return to the bigger Lyttelton stage from the Cottesloe of Peter Brook's production of *The Man Who*. In May David Hare's new play, a three hander with Michael Gambon, opens at the Cottesloe while at the Lyttelton Rodney Ackland's 1945 play *Absolute Hell* is revived, with Judi Dench repeating her 1992 television success.

The summer sees Eduardo de Filippo's *La Grande Magia*, directed by Eyre, and *Volpone* with Michael Gambon. The year's musical, subsidised by Cameron Mackintosh, is Sondheim's *A Little Night Music*. The year ends with Fiona Shaw in Congreve's *The Way of the World* and a co-production with Tara Arts of *Cyrano de Bergerac*.

A.T.

Theatre/David Murray

Children behaving badly

In a [redacted] town live four girl *friends: mid-teens*, tough-talking, hardbitten. It is an occasional pastime of theirs to lure some solitary man, kick him to the ground and rob him. They are used to being taken in by the police for cautioning, and they have come to know Daniel, a fanciable policeman; one or two of them have already shagged him, and others want to. What they do not know is that he is a women's-shoe fetishist whose libido is draining steadily away into his kink. This causes misunderstandings, and eventually some gory, entirely predictable trouble.

The Royal Court Theatre Upstairs,like indeed the Royal Court, has been here often before, as far back as Edward Bond's *Saved*: children of a demoralised working-class behaving badly. In Judy Upton's new play *Ashes and Sand*, which won this year's George Devine Award, sluggish young Hayley gets a speech ringingly addressed to nobody in particular – *i.e.* us – which says it's all because there are no jobs and nothing to do. That may well [redacted] *so*.

Ms Upton, however, lacks Bond's hard, dry eloquence. The girls mostly talk punk-demotic, without frills, and the cops television-speak; but from time to time some sentence emerges which is so clankingly articulate and stilted as to fall stone dead upon the ear. Directed by Ian Rickson, the coven all work hard at being BAD, without quite silencing echoes of St. Trinian's. Superficially, Susan Lynch's vocally abrasive Hayley might seem a piece of rolling-eyed, overstated acting – but perhaps just on that account, it may be closely observed naturalism.

The other girls, Rakie Ayola, Samantha Morton and Melissa Wilson, do their best with the bitty cameos they get between their feral group-assaults. Ms Upton connects very little up: the girls' peculiar savagery, Daniel's shoe-fetish, a colleague's unnatural affection for him, his dogged desire to transfer his job to Gibraltar – all float free and unexplained.

The trendy Lolita-gang motif – Furies, banshees, perhaps *even maenads* – [redacted]empted by Philip Ridley's *Ghost from a Perfect Place* at Hampstead last season, and taken to such campily extravagant lengths as to cripple imitators. *Ashes & Sand* is tamer, and vaguer; at the end, I was unable to guess whether the debagged Daniel had actually been castrated by the coven, or just embarrassed by being smeared with body-paint.

But Nick Reding's Daniel is the performance of the evening: chirpy, evasive and sad-eyed in public, prematurely weary alone, he suggests dumb, unhappy depths beyond anything in the text. Michael Packer is deft with several small roles, and Richard Albrecht makes something solid of Daniel's bluff, shyly devoted colleague. Jeremy Herbert's designs involve a mirror-contraption that permits quick cinematic cuts from one scene to another: ingenious, though it works better if you sit near the middle. *Ashes & Sand* takes an hour and a half, with no interval.

Ballet/Clement Crisp

An alternative 'Nutcracker'

Even before those dread wailings at the door – *Marley's Ghost?* No: Carol singers – the festive season announces itself with a first *Nutcracker*.

Happily, Adventures in Motion Pictures' irreverent re-working avoids most of the care-worn elements of the story – one more smirking stage-tot registering delight at the sight of a Christmas tree and I take seriously to drink – and turns the tale jokily upside down. No cosy Biedermeier household but a grim children's home; Drosselmeyer as Himmler; Clara in danger of losing her Nutcracker beau to a skating sex-bomb.

AMP's staging is, we are told, in its last season. Which is a pity. I reported with pleasure on its Edinburgh Festival creation two years ago, and on last year's revival. It is still entertaining on its current outing at Sadler's Wells, and stage successes being as rare as they are for modern dance, I would urge mothballs rather than the knacker's yard.

Matthew Bourne's production cocks snooks in the best fashion, sending up the ideas of a Victorian orphanage, Dickensian merriment – I love the way the pauperish decorations are whisked away as soon as benign visitors leave the orphanage – and the dire and sugary divertissements of Ye Olde Nutcracker itself.

This year AMP again fields some of its original cast. Etta Murfitt is a touchingly tough Clara, and Andrew George looms large as the Nutcracker of her dreams (and just what those dreams are we surmise from his ultimate occupancy of her bed). I also enjoy Barry Atkinson's vicious Dr Dross with his bruise-a-kiddie philosophy.

The staging is polished, speedy, well performed, and includes a neat complement of snide jokes, not least the boy orphan who wants a doll and gets a football.

Bourne's dances are bright, clever for the generality of the action – he maintains a brisk pace – but he is defeated by Tchaikovsky's greatest moments. To make sense of the sublimities of the adagio after the mouse-battle, of the snowflake waltz and the great pas de deux, needs stronger dancers and more searching dances. (The score, in a skilled reduction, sounds well with the New London Orchestra under Ronald Corp).

It is, all in all, a jolly evening, and can be seen as an inoculation against the conventional *Nutcrackers* that are massed on the dance-horizon, rich with menace and sweeties and optimistic choreography and performance. More, I suppose, of all that anon.

Staging sponsored by The Kobler Trust. At Sadler's Wells until December 10.

INTERNATIONAL ARTS GUIDE

PARIS

GALLERIES
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)
OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Kitege: by Rimsky-Korsakov. Director Valery Gergiev at 7.30 pm; Dec 10, 11
● Sadko: by Rimsky-Korsakov. Musical director Valery Gergiev at 7.30 pm; Dec 7, 9
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Le Lac des Cygnes: by Tchaikovsky. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; from Dec 9 to Dec 31 (Not Sun)

BERLIN

CONCERTS
Berlin Philharmonic
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado plays Monteverdi, Stockhausen and Tchaikovsky at 8 pm; Dec 8, 9, 10
Konzert Haus Tel: (020) 309 21 02/ 21 03
● Berlin Choral Society: with the New Berlin Radio Orchestra plays Dessau and Bach at 8 pm; Dec 9
● Radio Symphony Orchestra: conducted by Georg Schmöhe plays Bach, Paul Dessau and Strauss at 8 pm; Dec 7
OPERA/BALLET
Deutsche Oper Tel:(030)3 41 92 49
● Das Rheingold: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 7.30 pm; Dec 9
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● La Traviata: by Verdi. Conducted by Rizzi, production by Kirst. In Italian at 7 pm; Dec 11 (6 pm)

BONN

GALLERIES
Kunst-und Ausstellungshalle Tel: (0228) 9171 236
● Wunderkammer of the Occident: a journey through the history of European museums and collections, with objects that have been collected by Europeans since the Renaissance; to Feb 26 (Not Mon)
OPERA/BALLET
Oper Der Stadt Tel: (228) 7281
● La Traviata: by Verdi. A new production conducted by Eugene Kohn, with production by Jürgen Rose at 8 pm; Dec 12
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced and choreographed by Youri Vámos at 7 pm; Dec 10, 11

TURIN

OPERA/BALLET
Teatro Regio Tel: 011 8815 241
● Lo Schiaccianoci: ballet in three parts by Tchaikovsky. Performed by the Kirov company, St Petersburg. Sun mat only at 3 pm; from Dec 10 to Dec 18 (Not Mon)

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Sir Colin Davis: conducts the London Symphony Orchestra in a concert to mark Finnish independence day. Music of Sibelius, Mozart and Stravinsky at 7.30 pm; Dec 8
● The Dream of Gerontius: by Elgar. The London Symphony Orchestra with mezzo-soprano Anne Sofie Von Otter conducted by Sir Colin Davis at 7.30 pm; Dec 11
Festival Hall Tel: (071) 928 8800
● Beethoven Series: Philharmonia Orchestra conducted by Nikolaus Harnoncourt. Symphony No 8 and 6 (Pastoral) at 7.30 pm; Dec 10
● Choral Classic Series: Royal Philharmonic Orchestra with soloists Judith Howarth (soprano), Ruby Philogene (contralto), Ian Bostridge (tenor) and David Wilson-Johnson (bass) perform Handel's, 'The Messiah' at 7.30 pm; Dec 9
● Philharmonia Orchestra: conducted by Charles Dutoit plays Bizet, Goldschmidt and Prokofiev at 7.30 pm; Dec 8, 13
● Royal Philharmonic Mariinsky-Kirov Series: Royal Philharmonic Orchestra with conductor Valery Gergiev mezzo-soprano Larissa Diadkova and the Royal Choral Society perform Prokofiev and Rimsky-Korsakov at 7.30 pm; Dec 12
● Royal Philharmonic Orchestra: with conductor Vladimir Ashkenazy and pianist Shura Cherkassy plays Rubenstein's piano concerto No. 4 and Tchaikovsky's Manfred Symphony at 7.30 pm; Dec 7
● The London Philharmonic: conducted by Bernard Haitink, with soloists Karita Mattila (soprano), Ann-Murray (mezzo-soprano), Keith Lewis (tenor), Robert Lloyd (bass) and the London Philharmonic Choir perform [redacted] Symphonies Nos. 1 and [redacted] (Choral) at 7.30 pm; Dec 11
GALLERIES
Anthony d'Offay Tel: (071) 499 4100
● Andy Warhol: early drawings by the artist; to Jan 28 (Not Sun)
Royal Academy Tel:(071) 439 7438
● The Painted Page: Italian Renaissance Book Illustrations from 1450-1550; to Jan 22
OPERA/BALLET
English National Opera Tel: (071) 632 8300
■ Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 8
■ Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Dec 10, 13
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Dec 9, 12
Royal Opera House Tel: 071 240 1200
● Ashton Remembered: celebration of founder choreographer Fredrick Ashton. Includes pieces by Mendelssohn, Offenbach, Massenet and Walton at 7.30 pm; Dec 9
■ La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Dec 8, 13
● Mixed Programme: includes *Fearful Symmetries* choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 7, 10 [redacted] pm)
● The Sleeping Beauty: a new production of Tchaikovsky's [redacted] Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; [redacted] 12
THEATRE
Lyric Hammersmith Tel: [redacted] 741 2311
■ Mirandolina: by [redacted] Goldini, directed by Dalia Ibelhauptaite. With Caroline Quentin at 7.30 pm; to Dec 10 (Not Sun)

NEW YORK

GALLERIES
Metropolitan
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 10
● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Dec 7, 10
● Madama Butterfly: by Puccini at 8 pm; Dec 8
● Peter Grimes: by Britten. English at 8 pm; Dec 12
● Rigoletto: Italian opera by Verdi at 8 pm; Dec 9, 13
THEATRE
Joseph Papp Public Theatre Tel: (212) 598 7150
■ Simpatico: directed by Sam Shepard. Set in the world of thoroughbred horseracing, with Beverly D'Angelo, Marcia Gay Harden and Ed Harris at 8 pm; to Dec 11 (Not Mon)
Roundabout Theatre Company Tel: (212) 869 8400
● The Glass Menagerie: by Tennessee Williams. Director Frank Galati, cast includes Zeljko Ivanek, Julie Harris, Calista Flockhart and Kevin Kilner at 8 pm; to Jan 1

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● An Evening of Opera and Chamber Music: Selections from a new opera and chamber music by Soong Fu Yuan at 7.30 pm; Dec 11
GALLERIES
Freer Gallery Tel: (202) 357 2700
■ Chinese Calligraphy: exhibition focuses on varied uses [redacted] calligraphy from the 7th-19th century; to May 1
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● The Nutcracker: music by Tchaikovsky. Presented by the Joffrey Ballet, choreographed by Robert Joffrey. No show Dec. 12th, mats at 2pm otherwise at 8 pm; from Dec 7 to Dec 17
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8
Gunston II Tel: (703)
● An Evening with Tom Stoppard: presented by the Washington Shakespeare Company is a series of three one act plays by the British playwright at 8 pm; to Dec 17

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

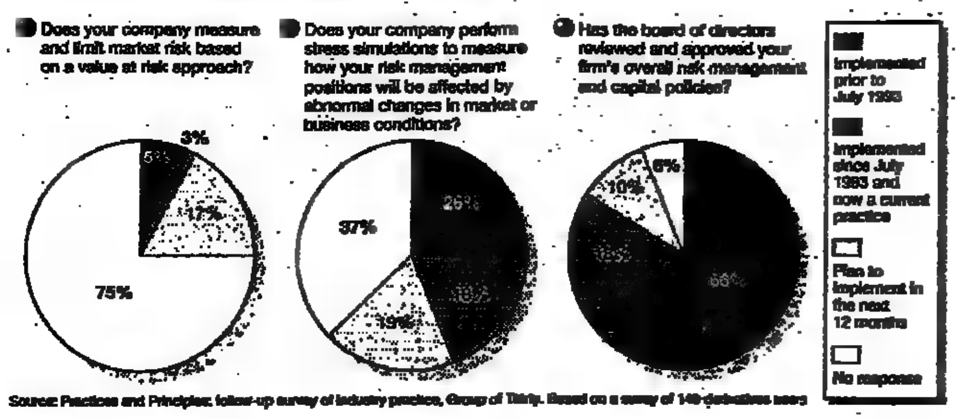
TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Derivatives: responding to risk



Source: Practices and Principles: follow-up survey of industry practice, Group of Thirty. Based on a survey of 149 derivatives users

Alarming instrument of financial change

John Gapper and Richard Waters on corporate concerns over derivatives

It has been a disquieting few days for the thousands of corporate treasurers who [illegible] the complex financial instruments called derivatives.

Concern over derivatives – instruments that [illegible] their [illegible] from that of an underlying asset or financial index – has been mounting after a series of losses involving them at companies and investment funds.

This week, [illegible] emerged that Bankers Trust, the US bank that pioneered derivatives, has agreed with supervisors to tighten internal controls over its business. And a study published on Monday found that [illegible] companies monitor their derivatives risks as expertly as they might.

For the [illegible] majority [illegible] surers who now use financial [illegible] at least in a simple form – perhaps to swap their floating [illegible] interest payments on a loan for fixed ones – it is a worrying time. There can be few boards of directors, or chief executives, who have not sent urgent requests to their finance directors and treasurers to find out [illegible] arcane instruments they [illegible] have bought, and why.

Regulators and politicians [illegible] the rapid growth in [illegible] for [illegible] past two years; the banks that trade in them [illegible] to improve [illegible] internal risk management systems to avoid unexpected losses. But the burden of concern is now shifting to buyers of derivatives.

There are [illegible] purposes for which companies and [illegible] investing [illegible] use [illegible] is [illegible] hedge risks, the [illegible] given by banks in marketing the products. A company that has borrowed [illegible] variable [illegible] can protect itself against [illegible] in [illegible] by swapping into [illegible] rate obligations. A similar approach can [illegible] adopted to minimise exchange [illegible] risks.

Second [illegible] the use that has received the most publicity this year, and the one to [illegible] derivatives have been put by many fund managers. This is to amplify the effect of bets on [illegible] bond [illegible] markets. Most well-known [illegible] of derivatives losses this year – such as those of the US companies Gibson Greetings and Procter & Gamble – [illegible] involved [illegible] bets on future interest [illegible].

[illegible] can be [illegible] to increase potential profits – and losses – of bets by leveraging the sum invested. Investors usually have to pay the full value of [illegible] conventional security when they buy it. But most derivative contracts allow them only to pay money [illegible] the contracts show [illegible] loss, and receive it when they show a profit. This [illegible] fund [illegible] take much bigger positions with the same amount of capital.

However, [illegible] to [illegible] derivatives [illegible] leverage investments, as some [illegible] cases [illegible] shown. The paper [illegible] of $1.5bn on an $8bn investment [illegible] reported last weekend by Orange County in California was initially suspected to have arisen from buying derivatives. The [illegible] the resignation [illegible] Mr [illegible] Citron, [illegible] on Monday.

In fact, Mr [illegible] used [illegible] forms of leverage, borrowing some $12bn through securities repurchase agreements, and then buying a type of security that paid [illegible] higher investment return as interest [illegible] fell. The [illegible] – [illegible] – [illegible] with derivatives, but are not in [illegible] same category. Mr Citron was taking leveraged [illegible] risk without derivatives.

Such cases are used by bankers [illegible] unfairly blamed for losses, since they are only one of several ways of making leveraged bets. Some boards of directors have been more worried about their [illegible] adopting high[illegible] strategies [illegible] they use derivatives to do so.

[illegible] study by the Group of Thirty, [illegible] Washington-based group of senior bankers, this [illegible] found that managers are now trying to monitor their treasury operations more closely. More now review risk management policies than 18 [illegible] ago, when the public debate over the use of derivatives [illegible]. [illegible] plan to implement [illegible] internal [illegible] within the [illegible] year, [illegible] implementing fresh risk [illegible] guidelines.

But there is [illegible] cause for [illegible] strongly [illegible] derivatives: that even treasuries of companies may not fully understand what risks they are taking. The G30 study found that only [illegible] per [illegible] of users [illegible] they had adopted [illegible] "value [illegible] risk" method [illegible] calculating how [illegible] they [illegible] market movements when buying derivatives – [illegible] method [illegible] by sophisticated [illegible] their portfolios.

This [illegible] has disturbing implications, for it may mean that even companies that think they are using derivatives for hedging [illegible] may [illegible] they are taking [illegible] much riskier leveraged [illegible] which the [illegible]. The issue will be at the heart of the legal action by Procter & Gamble over [illegible] $200m leveraged interest rate swap it was sold by Bankers Trust. The company argues that [illegible] given enough [illegible] understand fully the product or the true risks involved.

If [illegible] complex [illegible] portfolios – such as "[illegible]" showing price [illegible] volatility – it [illegible] easier to avoid unwanted risks. [illegible] all companies buying [illegible] only buy [illegible] few, quite simple, products, which means it is unlikely [illegible] while trying to emulate the risk management models of the biggest banks.

But [illegible] improve their risk management [illegible] they cannot get access to banks' privately developed software for valuing [illegible].

"If [illegible], [illegible] not [illegible] of goodwill," [illegible] Mr [illegible] Ungern-Sternberg, [illegible] vice-president [illegible] Bank. "They clearly [illegible] I [illegible] it [illegible] something that will develop [illegible] year."

[illegible] is becoming public. The bank J.P. Morgan has recently published [illegible] database [illegible] market volatility [illegible] it [illegible] in [illegible] own [illegible].

But few buyers can yet rival the sellers' expertise. [illegible] they do, the [illegible] of [illegible] and companies [illegible] likely [illegible] them even more wary about trusting the [illegible] of derivatives dealers [illegible] whether they should buy the latest "perfect hedge".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Nothing unusual in BAe accounting policy

From Richard Lapthorne.

Sir, Many things concerned me about your article "VSEL's [illegible] a war of whispers" published on December 5.

In particular:

- It [illegible] to [illegible] many substantial companies do not treat pension fund prepayments as assets.

I cite the following that do so: Shell, BP, [illegible] Marks and Spencer, Unilever, [illegible] and GrandMet.

- [illegible] is [illegible] to [illegible] substantial companies [illegible] treat [illegible] assets undepreciated launch costs.

Boeing, Rolls-Royce, Aerospatiale, Saab Scania, United Technologies, McDonnell Douglas [illegible] carry forward such costs.

- It [illegible] wrong to suggest that there is anything unusual in the BAe treatment of capitalised rationalisation costs.

These items relate to expected costs in bringing to a suitable condition for [illegible] the development land stock owned by Arlington Securities.

Our treatment is appropriate and [illegible] approved by SSAP 9 para.19 (c).

Your treatment [illegible] above three points is not only incorrect, but taken as whole contains the extremely damaging implication that BAe's balance sheet assets are being inflated by means [illegible] questionable accounting policies.

Richard Lapthorne,
finance director,
British Aerospace,
London SW1H 0RH

Time to exercise vote on directors' positions

From S W Morel.

Sir, The letter from Richard V Giordano, [illegible] of [illegible] Gas, (December 1) in defence of Mr Cedric Brown's salary increase, illustrates in admirable fashion [illegible] arrogance [illegible] which [illegible] British [illegible] its [illegible] and public [illegible].

As an average shareholder, a retired university [illegible] professor who worked overseas in poverty-stricken countries, I am expected to vote every year for the directors of the 30 large companies in which I have invested my savings.

In one year alone Mr [illegible] salary [illegible] is equivalent to [illegible] lifetime's savings and [illegible] "fixed" by a remuneration committee of gentlemen who have joined the club of "you [illegible] my [illegible] and I'll scratch yours".

I no longer feel that I [illegible] for [illegible] government that [illegible] salaries [illegible] only [illegible] per cent.

I now make a habit of putting [illegible] cross against the re-election [illegible] director [illegible] panies in which I invest unless their remuneration is reason[illegible] company profitable and [illegible] adequate. [illegible] I advise fellow shareholders to use their votes in [illegible] similar fashion.

S W Morel,
Granary Farm,
[illegible] Road,
[illegible]
Rye,
East Sussex,
TN31 6EU

What should the ratio be of top to low wages?

From Mr Frank Blackaby.

Sir, It [illegible] one of the curiosities of current economic [illegible] that basic questions are no longer asked, [illegible] instance, how can we get a more sensible distribution of the labour input needed by a modern economy? Why have recessions?

Here is another current example – what spread of earnings is needed in a big company, from cleaner to chief executive, to provide adequate incentives? Is the ratio 1 to 30, 1 to 50, 1 to 100, or what? Does it have to keep moving up towards 1 to infinity?

It is a question which the incestuous remuneration committees of large companies never ask – incestuous, because the non-executive director of company A is likely to be the chief executive of company B, so that anything which pushes up top [illegible] will be to his advantage when his turn comes round. All we have [illegible] highly selected comparisons usually with Americans, never with Japanese, where the spread from bottom to top is much smaller. Actually, high pay probably makes chief executives lazier – once they have bought their yachts, they have to spend time on them.

If there is to be a cabinet sub-committee on this question, perhaps one member of it [illegible] raise this simple basic question – what should the ratio be?

Frank Blackaby,
9 Fentiman Road,
London SW8 1LD

Fat salaries for the big league players carry personal risks

From Ms Irene [illegible].

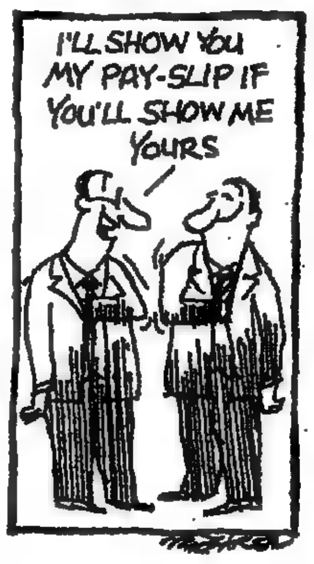
Sir, [illegible] the [illegible] per cent pay increase to British Gas's chief executive, the reason why the increase is so high [illegible] that public-sector top management pay is so low in comparison with similar jobs elsewhere.

Even spreading the increase over three years would have provoked [illegible] public outcry. [illegible] is drawn because Cedric Brown is [illegible] long-serving employee.

Had [illegible] been recruited from outside, [illegible] one [illegible] an eyebrow. It is [illegible] a one-off.

If, however, Mr Brown does [illegible] perform at [illegible] new salary [illegible] then inbuilt penalties should [illegible] invoked. High salaries for big league players carry high personal risk.

Irene Innes,
[illegible],
The Dorset [illegible]
[illegible],
Rowlands Hill,
[illegible]



Two-board system could tackle contracts

From Peter McGregor.

Sir, The Cadbury committee was supposed to have taken [illegible] good [illegible] corporate [illegible]nance in the UK.

But there still seems to be a good deal of free-floating anxiety on the part of [illegible], and [illegible] institutional shareholders, about some [illegible], currently [illegible] and nature of directors' contracts and the size of their sala[illegible].

This is another matter which could be handled much more effectively if we had a continental-style two-board system, to which Cadbury paid inadequate attention.

The single board has few virtues [illegible] enables executive management to do what it wants.

It is time that shareholders had [illegible] more effective voice, as the Germans [illegible] they [illegible] their two-board system in the last century.

Peter McGregor,
Dacre Cottage,
Longworth,
[illegible]
OX13 5HH

The turkeys do not vote for Christmas

From Jean Currie.

Sir, The chairman of [illegible] Gas will be aware that the remuneration of the boards of public companies has soared over the past 10 years, rising far more than the increase in the value of share capital or the [illegible] of other valuable members of society.

The rise reflects the growth in power of financial institutions and the interrelationship between the two. Private individuals, not financial institutions, are the real shareholders of public companies.

I doubt whether many accept as necessary the current remu[illegible]tions.

However, to obtain tax relief nearly all Peps and pensions have to be channelled through financial institutions and these take over the voting rights. [illegible] institutions can be seen in their management fee: only 0.5 per cent to 0.75 per cent typically in the early 1970s, but, despite computerisation, [illegible] 1.5 [illegible] cent now.

To ensure genuine control of public companies, ind[illegible] should be allowed to obtain the [illegible] concessions from direct investments.

Also institutions, as trustees, should be required legally to be responsive to the views of the owners of funds.

Unless such steps are taken the boards will continue to take an increasing proportion of our wealth because, to end with a seasonable note, turkeys do not vote for Christmas.

Jean Currie,
20 Bateman St,
Cambridge,
CB2 1NB

Dark deals at the borders

From Richard Isola.

Sir, Regarding the article "Drugs claim on Gibraltar border" (December 3-4), while the Spanish government's [illegible] ent concern about illicit smuggling into Spain is admirable, its own efforts to control a substantial black economy and, in particular, illegal money laundering activities via the Franco-Spanish [illegible] is shameful.

[illegible] remarkable [illegible] the extent to which this activity [illegible] a mini-property boom in neighbouring Biarritz [illegible] the midst of a deep [illegible]nomic recession.

Richard Isola,
General Arrando 28,
28010 Madrid

Proud of a little nightcap

From T.C. Hill.

Sir, With reference to "Phantom extras on hotel bills" in your Letters column (December 1), [illegible] not only [illegible] in [illegible] that [illegible] keep her [illegible] about her.

Not so long ago after dining alone in a London [illegible] End hotel, I was presented with, but [illegible] not settle, a bill for [illegible] meal and 64 drinks.

I have to admit being flattered [illegible] of my capacity.

T.C. Hill,
55 Broome Road,
Billericay,
Essex,
CM11 1ES

Slow but sure progress on electricity liberalisation

From Mr Paul K Lyons.

Sir, Your editorial on "Electricity grid-lock" (December 5) raises a number of interesting points, but fails to recognise that progress is being made after several years of stalemate. The two energy councils in 1994 have led to a positive and formal accord among member states on two of the three main parts of the electricity liberalisation directive.

On the third key area – competition in national markets – the Commission has already tried to resist the French concept of the single buyer, as you suggest, since it was put forward earlier this year as an alternative to third party access. However, negotiations in the council on an internal electricity market have been so difficult, for all the reasons you mention, that the member states are anxious to find solutions, even if they are far from perfect.

At last week's energy council, they asked the Commission to look more carefully at the anticipated consequences [illegible] the [illegible]y-side application of third party access and the single buyer system. The Commission is therefore bound to make an objective study and report back to the council.

Your article also touches on the need for regulation and the possibility of an energy chapter. There is a crucial point here about the UK government's position. The UK has argued forcibly for an internal energy market, yet has refused to countenance any new Union competences in energy.

As the only member state more or less self-sufficient in energy resources, this stance may be all too clear. But how can the UK expect the Union to sign up to an open and liberal market in energy and not recognise the legitimate concerns of other member states to have some joint EU safeguards for security and stability of supply to customers?

Paul K Lyons,
editor, EC Inform-Energy,
London NW6 7LD

Performance funding flaws

From Mr Ian Brown.

Sir, Despite the enthusiasm voiced by Training and Enterprise Councils for greater performance-related funding for government schemes (The Budget: "Tecs hail funding change as boost for unemployed", December 1) those organisations which actually deliver training for the unemployed are less convinced.

Performance-related funding is already set at 40 per cent for [illegible] organisations. Those which support the most disadvantaged [illegible] the unemployed report that this system forces them to think increasingly selectively about who they can afford to take on. Tecs will no doubt insist that they now weight payments to take account of this. But their definition of "special [illegible]" can often be a narrow one.

Essentially, performance-related funding assumes the unemployed [illegible] making [illegible]nal decisions in [illegible] labour market.

No allowance is made for trainees who fail an exam, for those who simply walk away before completing a course, or for the possibility that there simply may be no job vacancies at the end.

Training providers have to [illegible] price [illegible] fantasy, knowing [illegible] is [illegible] perfectly [illegible] for paying them on the training weeks they deliver on behalf of Tecs.

Ian Brown,
enterprise & training officer,
Scottish Council for Voluntary Organisations,
18-19 Claremont Crescent,
Edinburgh EH7 4QD

Safe deposit for funds

From D R Myddelton.

Sir, According to your report "Stock market bar to China pension funds" (December 1), the Chinese finance ministry is banning pension funds from investing in stock markets on the grounds that they are too risky.

Instead the [illegible] is stipulating that 80 per [illegible] should be spent on "safe instruments", namely treasury bonds.

I seem to remember a similar rule in this country after the war.

Unfortunately, due to currency debasement, [illegible] real [illegible] government [illegible] fell by [illegible] in [illegible] 15 [illegible] and 1961.

Quoted equities, in contrast, [illegible] in real [illegible].

[illegible] doubt they meant well; but the fact remains that the interference of the gentlemen in Whitehall caused very large real losses to British pensioners.

I do hope these pensioners fare better.

I wonder if there's a lesson here? Government [illegible] can always offer advice to people, and I'm sure it will be gratefully received.

Using the age-old maxim *caveat emptor* we can then choose for ourselves. But some of us don't like being told what to do.

D.R. Myddelton,
Professor of Finance and Accounting,
Cranfield School of Management,
Cranfield,
[illegible] MK43 0AL

FINANCIAL TIMES
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Wednesday December 7 1994

Extending the EU eastwards

It is five years since the the end of the Soviet empire in eastern Europe. But western Europe has still not recovered from the shock. Members of the European Union have been timid, where eastern Europeans have been heroic. Judged by the "pre-accession strategy" for the associated countries of central and eastern Europe, to be discussed at the meeting of the European Council in Essen this week, the EU still fails to appreciate the urgency of the challenge.

This does not mean that the EU has done nothing. At the Copenhagen summit in 1993, the European Council "agreed that the associated countries in central and eastern Europe that so desire shall become members of the European Union. Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required." In addition, the "Europe Agreements" have committed the EU to industrial free trade with Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. Slovenia and the Baltic republics are expected to join quite soon.

Yet this is insufficient either to provide adequate encouragement to reform in eastern Europe now, or to ensure a smooth transition to membership of the EU later on. The fundamental failure has been an unwillingness to recognise what is at stake. The mission of the EU is neither to protect European farmers, nor to succour European steel mills, nor to transfer the odd tens of billions of Ecu from rich members to poorer ones. It is to integrate Europe. The fall of the Soviet empire was not an annoying interruption, but what made this feasible at last.

The enlargement of Nato is, happily, a side issue. Extension of the opportunities afforded by a prosperous market economy will integrate and stabilise the two halves of divided Europe, as it once did the divided and impoverished west. This task is not similar to the challenge posed by north Africa, partly because these countries will never join the EU.

Free trade

The EU should start by providing industrial free trade to eastern Europe now. If EU competition policy is adopted by these countries, it should also eschew anti-dumping and other forms of contingent protection. And it should insist that liberalisation by these partners towards the EU be extended, automatically, to one another, in order to avoid the emergence of a discriminatory "hub-and-spoke" relationship.

Eastern Europeans need secure market access if they are to attract more foreign direct investment. For this reason, they must be protected from EU contingent protection, particularly since their exports are concentrated in "sensitive sectors". The EU should remember that, in 1992, it enjoyed a surplus of $13bn in manufactures with eastern Europe and the former Soviet Union. Total imports of manufactures from all these countries were less than 60 per cent of imports from Switzerland alone. The terror felt by EU member states – demonstrated by the fact that the Europe Agreements contain seven safeguard clauses – is pathological.

Preconditions

The second requirement is a statement of the preconditions for accession, particularly of how and when the candidate states are to apply the *acquis communautaire*. Those preconditions should not, as the statement from leading European economists published today by London's Centre for Economic Policy Research rightly [illegible] include conditions EU [illegible] themselves do not meet.

The third – and most difficult – requirement is to change the EU. A study by Prof Richard Baldwin for the CEPR concluded that by the end of the century the net budgetary cost of enlargement might be 70 per cent of the planned budget. This may be an exaggeration. But it would still be less than 1 per cent of the EU's total GDP. What is needed is cuts in spending, particularly on agriculture (perhaps by nationalising most compensation payments) and some increase in revenue.

Whatever happens in the meantime, accession negotiations should be started directly after the inter-governmental conference in 1996. Even if those negotiations were completed swiftly, there would, no doubt, be a lengthy and well-defined period of transition. Such a period is precisely what is needed by both sides. Why should the most advanced countries not have finished that transition by 2005? Sixteen years from the end of communism to the first full memberships does not seem unduly hasty.

The EU is a creature of timetables. It should commit itself now to a date for opening membership negotiations, along with a statement of what will need to happen if they are to be concluded satisfactorily.

Working in the EU

It is regrettable that the UK employment minister, Mr Michael Portillo, opted for a display of anti-Brussels theatrics at yesterday's meeting of European Union social affairs ministers in Brussels. The UK government's suspicion of the old-style EU social agenda was usually justifiable. But much of the debate in Europe has now moved on. Mr Portillo would make a more valuable contribution to EU employment policy if he moved with it.

Britain had been widely expected to block the two directives debated yesterday, one enforcing equal rights for part-time workers, the other proposing equal treatment of workers posted to other countries. In the event, Mr Portillo only needed to veto the first, since the other requires re-drafting, but this is unlikely to change the UK's position.

Both directives represent the last gasps of the aggressive social action programme drawn up five years ago by the then European commissioner for social affairs, Ms Vasso Papandreou. It was that long list of measures that led the UK to argue for the right to "opt-out" of the social chapter of the 1991 Maastricht treaty, and Mr Portillo could justifiably use many of the UK's traditional arguments for exercising a veto.

Mr Portillo viewed the other talking-point of the meeting, a further set of German-sponsored proposals, as a sign of more to come. But these are the fruit of a visibly softened attitude to employment legislation in Brussels. Mr Portillo ought [illegible] question whether the UK's past objections still have the same force.

Subsidiarity

Traditionally, the UK's opposition rested on three planks. The first was a principled objection, on grounds of subsidiarity, to European legislation which went beyond the broadly uncontroversial desire to secure a basic framework of rights for all EU workers, and enhance labour mobility within the single market.

[illegible] second, and in many cases, underlying objection was more substantive: the Continental quasi-corporatist model of employment policy implicit in several directives was at odds with the deregulatory emphasis of Conservative policy in this area. Finally, and with some justification, British ministers would accuse fellow European ministers of using EU social policy proposals to pursue essentially domestic political ends.

Politicking

There was certainly a fair amount of domestic politicking behind yesterday's discussions. German part-time workers already enjoy most of the rights included in the directive. The German government's enthusiasm yesterday for pressing ahead with the legislation owes much to a desire to trumpet the virtues of part-time work at home. Similarly, France was backing the posted-workers directive strongly, since it has just passed similar legislation at home, and wishes to avoid a legal proceeding against it on competition grounds.

Mr Portillo was not averse yesterday to winning some domestic political points of his own by opposing Germany's further policy suggestions. In truth, however, the longstanding German wish-list – for EU-wide worker protection against unfair dismissal, for example – is tame by comparison with the early Delors agenda.

Both the principle and the sub[illegible] the European Commission's thinking on social policy has changed substantially over the past two years. The UK ought to work to influence the new model of employment policy that is currently being forged, helping to tilt it further towards job creation and towards allowing scope for different countries to experiment with different regulatory and other safeguards. Many on the continent are already moving in this direction. Mr Portillo could push them further by cultivating a less bombastic, case by case, approach to the debate.

Edward Mortimer

In search of an enemy

Nato has been unable to resolve its identity crisis, brought on by the collapse of the Soviet Union

Nato is in trouble. It is divided over Bosnia, but that is not the reason. If there had not been Bosnia, there would have been something else. Nato is in trouble because it no longer knows what it is for.

The west cannot say it was not warned. Back in 1987 it was told by Mr Georgy Arbatov, the Soviet Union's top Americanologist, "we have a 'secret weapon' that will work almost regardless of the American response – we would deprive America of The Enemy". The end of the Soviet Union in 1991 fulfilled that prediction well beyond its author's expectations.

Technically, a defensive alliance has no need of an identified enemy, and indeed you will search the text of the North Atlantic treaty in vain for any mention of the Soviet Union. On paper, it is simply an agreement by a group of like-minded nations to come to each other's assistance if attacked, irrespective of the attacker. But no one in 1949, or for most of the ensuing 40 years, was in doubt where any attack would come from.

So the disappearance of the Soviet Union and the withdrawal of Russian troops from central Europe have left western policymakers floundering to explain what the purpose of the alliance now is. Nato is no longer manning a frontline on the Elbe, which is now simply a river in the middle of one of its members.

The problem was already apparent in July 1990, when Nato leaders gathered in London to state solemnly that they no longer regarded the members of the Warsaw Pact as adversaries.

At the Rome summit of November 1991, Nato unveiled its "new strategic concept", in which it assigned to itself four core security functions:

- "To provide one of the indispensable foundations for a stable security environment in Europe."
- "To serve... as a transatlantic forum for allied consultations."
- "To deter and defend any threat of aggression against the territory of any Nato member state."
- "To preserve the strategic balance within Europe."

The lack of a clear direction was obvious. Only the third function has any concrete meaning, and that left it deliberately unclear against whom or what such deterrence and defence were now required.

The other three are classic communiqué-speak. "Strategic balance" is a meaningless concept unless one defines the forces that need to be balanced; while to define an alliance as a forum for allied consultations is tautological. A "stable security environment" could mean anything or nothing.

Probably it was intended to mean that Nato, by its very existence, provides a degree of security to others in Europe, and notably in central and eastern Europe, besides its own members. But that half-promise has raised expectations that Nato is so far unable to fulfil, and its attempts to fulfil them have led it into new problems.

The security problems of central and eastern Europe are essentially of two types. There is the danger of ethnic conflict within or across state borders, of which Bosnia has become the archetype; and there is the fear of renewed Russian domination. (Lurking in the background is also the fear that Germany might one day revert to expansionism.)

Both types of problem are acute in the former Soviet Union, where they overlap, since concern for ethnic Russians in the other republics is one of the main motives or pretexts for the reassertion of Russian influence. The ethnic problem is also acute in the western Balkans, but appears to be under control in Bulgaria. The situation of the Hungarian minorities in Romania and Slovakia is a potential source of trouble, but there seems little likelihood of that trouble taking a military form. In Poland and the Czech Republic there are no ethnic problems to speak of. And the Russian threat to central Europe, while still a vivid memory, has become fairly remote.

If that threat were to become less remote, Nato is probably still capable of deterring it. There is a plausible argument that the four "Visegrad states" – Poland, Hungary, the Czech Republic and Slovakia – should be admitted to Nato before the Russian threat reappears. This is unlikely to happen, however, for two reasons: it would be foolish to push the Russians gratuitously into a threatening attitude; and it would be even more foolish to draw a line that implicitly leaves some states such as Ukraine and the Baltics outside, for the Russians to do with as they please.

Those reasons were eloquently explained by the Clinton administration before and during last January's Nato summit, which carefully fudged the issue by producing the so-called "Partnership for Peace" programme, under which all east European states, including Russia, are encouraged to co-operate with Nato, with no overt discrimination between them. So European governments have been bemused in the past few weeks to find that same administration staging a confrontation with Russia, by announcing plans to speed up Nato enlargement. Although President Bill Clinton said on Monday that "Nato will [illegible] automatically [illegible] from joining", [illegible] know [illegible] early enlargement would not include them.

Mr Clinton's aim, presumably, is to distract attention from the row over Bosnia, and to provide the newly powerful Republican right with a rationale for carrying on with Nato that is likely to appeal to them.

The trouble with this strategy, if such it can be called, is twofold: early enlargement would be offered only to those central European states that need it least; and any attempt to revive [illegible] Russian threat as Nato's *raison d'être*, so long as the threat is not unmistakable, is more likely to divide the alliance than to unite it. West European governments can already be heard expressing caution, which will no doubt leave the Republican right even more disgusted with Nato than it already is.

Of course, [illegible] should not [illegible] in that situation if Nato had shown itself able [illegible] deal with the other problem, that of ethnic conflict. [illegible] it has not. That is not a criticism of Nato as an organisation: Nato, like the UN, is a composite body which can only do what its member states will it to do.

At the beginning of the Yugoslav conflict, there [illegible] consensus that Nato had no role to play. It was, initially, an internal conflict in a non-member state. With the recognition of the successor states in early 1992, it became an international conflict, but the element of Serbian aggression was almost impossible to disentangle from [illegible] conflict [illegible] Bosnian [illegible]

Anyway, Nato [illegible] no [illegible] defend non-members against each other. That is properly a matter for the UN, and it was only in an attempt to enforce UN resolutions that Nato did get involved in Bosnia, in support of a UN force furnished partly by Nato members.

Unfortunately the mandate of the UN force was a hopeless mishmash of enforcement and peacekeeping. The peacekeeping role dictated a troop deployment that makes serious enforcement impossible, since UN soldiers are effectively hostages in the hands of the "enemy" against which enforcement action would be taken. But that difficulty has only masked an even more awkward question: whether collective security can be made effective in this kind of conflict without deploying ground troops in a combat role.

The US argument has been that Nato air power, combined with arms supplies, would redress the balance of forces against the aggressor and in favour of the victim. That may or may not be right, but in either case it falls far short of the commitment that Nato makes to the defence of its own members.

The fact is that none of Nato's members, and perhaps least of all the US, feels sufficiently threatened by a Bosnia-type conflict to take the kind of risks in dealing with it that they were prepared to take during the cold war.

Until they [illegible] perceive such a threat, the alliance will remain ineffective, [illegible] in it will [illegible] to ebb on both sides of the [illegible]

The UK's nuclear levy, a redundant tax, should be allowed to lapse, argues David Lascelles

A nice little earner

A little-noticed aspect of the review that the UK government is currently conducting of the nuclear power industry concerns [illegible] nuclear levy.

This surcharge on electricity bills for decommissioning old nuclear [illegible] stations, which brings [illegible] £1.2bn a year, is supposed to expire in 1998. But it is hard to see the Treasury – or any of the other potential beneficiaries – allowing such a nice little earner to lapse without a struggle.

The levy was introduced when the government created Nuclear Electric to own and run nuclear power stations in England and Wales in 1989. It gave the company responsibility for decommissioning them, but not enough money to pay for the job. Instead, it instituted a temporary levy on electricity bills to raise £8.5bn over 10 years. The levy is set each year by the electricity industry regulator and is currently 10 [illegible] cent, but because receipts are behind schedule it may have to be raised next year.

(This means, incidentally, that when the government introduced value added tax on home energy bills earlier this year, it began to tax the levy as well – a clever way [illegible] compounding tax revenues. If VAT goes up to 17.5 per cent next April, VAT revenues attributable to the levy will be more than £200m.)

Although the levy is supposed to end in 1998, it is questionable whether any government – Conservative or Labour – will allow this handy form of taxation to lapse. Even if Nuclear Electric's need for it were to disappear, [illegible] would be those arguing against cancelling the levy itself.

Imagine for a moment what would happen if the levy was cancelled, they would [illegible] away, electricity bills would fall by more than 10 per cent. While that may seem a good thing, the present government is committed to pushing the cost of energy up – not down – to curb demand and reduce the environmental impact of power generation.

And, in any case, underlying electricity prices are falling as the benefits of privatisation finally begin to work their way through. So there is actually a case for saying that taxa[illegible] energy bills should not merely be preserved but *increased* to support the objectives of current policy.

But though the environmental case for propping up energy prices is strong, that is not the reason why the Treasury may [illegible] to [illegible] levy. Here, after all, is a revenue-[illegible] measure that is in place, that is [illegible] automatically and that people will notice only if it [illegible]

Although the levy ends in 1998, it is questionable whether any government will allow it to disappear

For those who would retain the levy after 1998, the only point for discussion is whether the proceeds should in future be fed straight into the Treasury's coffers or whether, being a specific revenue measure, they should be spent on a specific cause.

The latter course is the one currently generating the greatest interest. Already the would-be recipients include the renewable energy lobby, which wants more subsidies for wind farms and landfill gas projects, and the coal-fired power generators, which want help to clean up dirty stations.

There is also the ill-starred Energy Saving Trust that was supposed to be spearheading the government's campaign against energy waste. It has so far been short of funds because of the refusal of gas and electricity regulators to authorise even more levies on home energy bills to pay for it.

The argument over the future of the levy is therefore likely to provide the unedifying spectacle of government struggling to justify preserving a redundant tax.

We shall be treated to sonorous warnings from the Department of the Environment on the need for greater energy efficiency. Junior Treasury ministers will talk of the extraordinary difficulty (for technical reasons) of cancelling a taxation measure. The Department of Trade and Industry will highlight the business opportunities that should arise from whatever new use the levy proceeds are put to. All this will be said with a straight face. But no one will be fooled. Governments do not readily cut taxes, even though that is precisely what they should do in this case.

The only sensible course is to allow the levy to [illegible]. The Treasury [illegible] not currently budget for the proceeds, and a firm statement of intent now would make it harder for this or a future chancellor to start factoring them into his revenue calculations.

True, energy prices would fall, and that will encourage waste. But one of the main purposes of electricity and gas privatisation was to bring down energy costs and benefit the economy at large.

If broader policy requires energy prices to be raised, this should be done through plain and open taxation, rather than by a residual measure that was created for a wholly different purpose.

OBSERVER

Dithering decisively

■ European Commission president Jacques Delors has finally revealed that he has made up his mind whether to run for the French presidency. Trouble is, he failed to divulge the nature of his decision.

Tantalised Delorologists fell a single one cryptic statement. It was suggested he might feel he was betraying the French left by failing to stand, to which Delors replied: "I have always done my duty... it's an eminently personal decision that depends only on my own conscience."

No one could agree what that meant. For some, the reference to "duty" meant that he would run; he has already said that, if he made a bid for the Elysée, it would be "out of duty". Others homed in on the word "personal" – a telling reference, they felt, to the family implications for a 69-year-old of a seven-year commitment after a gruelling decade running Europe.

Some of Delors' closest advisers remain convinced he will not run. But Delors' widening lead in the opinion polls over potential Gaullist rivals like Jacques Chirac and Edouard Balladur clearly puts increasing pressure on him to throw his hat in the ring. So when will he put the pundits out of their misery? Well, he is due to appear on French prime-time TV on Sunday.

Until then, they will have to content themselves with feeding on the most substantial indicator of presidential intent so far. Last Friday, when visiting the Elysée, Delors eschewed his usual foreign-made car for a Renault.

Acorns and oaks

■ Not many places you can get 10 per cent interest on as little as a fiver these days. Of course, there's a catch. The myriad hoarders of small sums in glass jars and bedroom drawers around the Irish Republic have created a shortage of small coins. Which is apparently a serious business over the hectic Christmas period. So the short-changed banks are now offering a 10 per cent bounty for one and two pence coins, counted and bagged and with a minimum value of I£5. Canny leprechauns should start collecting now – for Christmas 1995...

Gogol-eyed

■ Some light relief at last for Russian TV viewers less than wholly addicted to a gruesome Saturday evening series entitled *Catastrophes of the Week*, an undiluted diet of terrible accidents and human tragedies.

The bright spot is New Year's eve, when the schedule promises a Russian version of the UK programme *Spitting Image* and its rubber puppets created to demolish the publicly pompous. Called *Kukly*

'We must have something more in common than never having used a Mercury phone booth'

– Puppets – the show will constitute a reprise of 1994, with star turns from the likes of Viktor Gerashchenko, hapless former governor of the central bank axed after October's rouble crisis. The mayor of Moscow, Yury Luzhkov, is also promised an outing. With his attachment to undertaking forays into the city's sewage system, he must be a parodist's gift.

Tall order

■ John Major's ministers cast around for ways in which a Conservative government can curb "unjustified" pay awards without being made to look too foolish.

Meanwhile, an ad appears in the national press for the first time for a Whitehall vacancy at permanent secretary level (in this instance at the Department of Employment), illustrating a rather different problem. Who do Michael Portillo and others expect to find to manage "a programme and administrative expenditure totalling £4.6bn and 58,000 staff" at a salary of just £95,000 "subject to review".

While the analogy of a top civil servant with the chief executive of a public company may be less than complete, the ad states that the successful candidate "will have worked at (or near) the top of a large private or public sector [illegible]tion". Hence the relevance of the order of remuneration of, say, Tony Greener, chairman of Guinness: turnover in 1993, £4.66bn (though staff of only just over 23,000); remuneration £648,000.

Model man

■ So Patrick Minford is back in favour. Margaret Thatcher's erstwhile economics mentor is not only well dug in as a member of the Treasury's panel of economic advisers, but is now poised to receive £120,000 of government money to help out over the next four years with his economic modelling activities.

Minford, who caught the Iron Lady's eye in the 1970s with his theories about free-market economics, was summarily dropped from the Economic and Social Research Council's funding list in 1990. He began to fret that his ideas were, well, insufficiently appreciated by the mainstream.

Not that he is letting this new-found largesse go to his head. The monies will be put to reasonably eccentric use – for one thing, towards hooking up with a Cray supercomputer at the government's Rutherford Appleton Laboratory in Oxfordshire.

Undeterred by the fact that such machines are normally the preserve of nuclear scientists or aircraft engineers rather than of practitioners of the dismal science, Minford reckons he can harness their massive power to figure out knotty little problems of trade flows and the role of markets in the world economy. He's even christened his baby in suitably user-unfriendly [illegible] Roll on the "computable general equilibrium model".

Acidic

■ Uncharitable suggestion from derivatives buffs yesterday. Californian taxpayers living in the area south of Los Angeles and who are staring at $1.5bn plus of losses on the region's investment portfolio as a result of dealings by one Robert Citron – the treasurer who quit at the beginning of the week – might care to rename their domicile Lemon County.

FINANCIAL TIMES
Wednesday December 7 1994

Query over £61m grant to Taiwan company

Brussels to re-examine UK aid for textile plant

By Emma Tucker in Brussels

The European Commission is to re-examine its approval this year of [illegible] £61m ($94.5m) UK government grant for a textiles plant to be built by Hualon of Taiwan in Belfast, Northern Ireland.

It suspects information [illegible] received from UK authorities was inaccurate.

Mr Karel Van Miert, the competition commissioner, will write to the UK Department of Trade and Industry, asking it to clarify evidence given by the government about the project and [illegible] likely impact on the European textiles market.

Commission officials said if the department failed to provide satisfactory answers, the case would be reopened. That might lead to [illegible] prohibiting the grant [illegible] ordering [illegible] government to recover any money paid to Hualon.

The Commission approved the subsidy [illegible] Hualon, one [illegible] Taiwan's biggest industrial groups, in May, after intense lobbying by UK ministers. They were supported by Mr Jacques Delors, outgoing president of the European Commission, in the interests of underpinning the Northern Ireland peace process.

Brussels accepted the UK government's arguments that the plant would not disrupt the European textiles market in that it would supply synthetic fibre to low-cost clothing manufacturers in Europe, and that its output would substitute for imports from outside the European Union.

However, Mr Van Miert is now seeking further assurances that the plant will not add to excess capacity in the European textiles industry by producing high-qual[illegible] products that will undercut existing manufacturers and create unemployment.

"At the time [of the approval] we were convinced that production was at the lower end of the market. But [illegible] doubt has come up and now we want reassurances. If not, we will have to look into the files," said a senior commission official yesterday.

Last week, European textiles and clothing manufacturers challenged the Commission's decision in the European Court. They argue that the £157m plant will threaten jobs in an already oversupplied sector.

Britain [illegible] long prided itself on [illegible] rigorous application of EU competition rules and regularly complains when [illegible] in steel and the airline industry are handed out in other member [illegible]

The timing of Mr Van [illegible] re-examination is doubly sensitive, as the UK government is expected to win at least £250m in special [illegible] aid to Northern Ireland at this week's European Council in Essen. Next week, it hosts an international conference in Northern Ireland, to attract investment to the region.

Britain vetoes EU part-time workers' protection

By Robert Taylor in Brussels

Mr Michael Portillo, Britain's employment secretary, yesterday vetoed a diluted European Union draft directive that would have provided protection for part-time workers.

His decision, at the EU's social affairs council, annoyed ministerial colleagues from the other 11 member states who had thought the UK would agree to a compro[illegible]

The proposal will now be re-written by the European Commission and will be much tougher than the watered-down version rejected by Britain.

The final directive will be presented early next year to employers [illegible] unions [illegible] whether they can agree details. If this fails, the EU member governments – without the UK – are expected to agree on a directive on part-time workers, which will then come into force.

Mr Padraig Flynn, the EU social affairs commissioner, said he was "disappointed", adding: "I thought what [illegible] were [illegible] was a bare bones minimum measure but even then the UK maintained a negative approach".

The social affairs council meeting was also unable [illegible] covering posted workers. [illegible] again strongly opposed, together with a number [illegible] other countries, notably Portugal, Greece and Italy.

The measure is designed [illegible] ensure that companies carrying out contracts in [illegible] states other than their own have to pay their employees [illegible] the host country.

[illegible] directive, [illegible] should cover and whether [illegible] applied [illegible] workers employed for less than one week.

Mr Flynn [illegible] hoped there would be an agreement on a posted [illegible] 21 when the ministers are due to meet again.

"I believe there is a willingness to compromise on all sides over this measure," he said. "It is about extending the free market in services and not part of any social chapter."

Mr Portillo was also alone in rejecting the German proposal pressing for greater economic and social convergence through the [illegible] of minimum labour [illegible]

However, he [illegible] he was "encouraged" by remarks [illegible] council from European Commission president Mr Jacques Delors, who [illegible] importance [illegible] improving European competitiveness and the need for greater exchange of information, as well as a voluntary approach to dealing with social issues rather than legislation.

"Mr Delors' tone was distinctly emollient," added Mr Portillo.

Editorial Comment, [illegible] 15

Matsushita managers face merit shake-up over bonuses

By Michiyo Nakamoto in Tokyo

Hard-pressed [illegible] at Matsushita, [illegible] consumer [illegible] group, are having to [illegible] a change in [illegible] once honourable tradition – annual bonuses are no longer to be based on years of service but on performance.

[illegible] 11,000 [illegible] man[illegible] opened envelopes containing the details of their winter bonus packet to find [illegible] sum rather different from what they had come to expect.

With [illegible] system, compla[illegible] who [illegible] always [illegible] their bonuses rise with their years of service may find [illegible] as much as Y1.5m ($15,600) less than that paid to the best performers.

On the other hand, ambitious younger managers are supposed to find that lack of seniority is no longer a [illegible] financial reward.

"The [illegible] could [illegible] morale [illegible] younger [illegible]ers," a Matsushita [illegible] optimistically.

The company's [illegible] to relate bonuses, which comprise roughly half [illegible] manager's annual pay, to performance represents a significant departure from tradi[illegible] Japanese management practice, which [illegible] loyal [illegible]vice over real performance.

As Japan's [illegible] growth has slowed and the country sees itself going through an industrial transition, company [illegible] have been calling for a review of traditional employment practices, such as lifetime employment and seniority-based pay.

Those practices were formerly considered inviolable by large blue-chip companies but are now seen increasingly as an [illegible] to competitiveness and the structural adjustments the country [illegible]

Matsushita is not the first large Japanese company to adopt a pay system that [illegible] employees' remuneration [illegible] performance, but [illegible] decision is expected [illegible] [illegible] significant influence on other large companies.

The company is considered [illegible] symbol of Japanese business conservatism and is a wage trend-setter in the electronics industry.

For Matsushita, which [illegible] grown over the years into a large and unwieldy corporation, the measure is part of an effort to improve profitability through [illegible] three-year restructuring pro[illegible]

Mr Yoichi Morishita, [illegible] company's president, has stated his intention to [illegible] its [illegible] of operating profits to sales from 2.6 per cent to 5 per cent by the end of fiscal 1996.

To soften the blow of the new system, however, the company still retains the seniority system in annual salaries paid to managers.

Milan magistrate quits corruption probe

Continued from Page 1

letter to Mr Francesco Saverio Borrelli, the chief Milan public prosecutor, who has co-ordinated the past 2½ years of corruption investigations.

Mr Borrelli subsequently confirmed the resignation, [illegible]ing that Mr Di Pietro was unlikely to change his mind. The Milan public prosecutor also gave a strong political twist to Mr Di Pietro's move, attacking the government for mounting a campaign of hostility against the magistrature and warning that the investigations into corruption would continue.

In his letter Mr Di Pietro placed more emphasis on his exasperation over the high-profile role he had been forced to play. "Whatever I do, my duties as a magistrate seem to be interpreted as a personal competition," he said.

"I [illegible] in particular to the numerous recent demonstrations in the piazzas which, whether for or against the group [of anti-corruption magistrates], have viciously personalised my role to a point where my each and every judicial action is interpreted for or against someone."

Behind the letter lay a growing anger over the way in which Mr Di Pietro felt his hands were being tied.

Since September, the Milan magistrates' investigations into the Fininvest business empire of Mr Berlusconi have become increasingly sensitive, and the government has turned correspondingly hostile in its attacks on the magistrature.

THE LEX COLUMN

Dresdner's trading enigma

Dresdner Bank's DM301m ($202m) losses on own-account trading in the first 10 months came as a nasty surprise. The bank made a small profit on trading in the first half of the year and a sudden deterioration in the following months was not expected.

The bank tried to dismiss the loss as an accounting issue, but its explanations served to raise more questions than they answered. The same transactions which gave rise to the bulk of the unrealised trading loss also gave rise to interest income, the main reason for the buoyant 9.4 per cent increase in interest surplus. It was comforting that the interest income was bigger than the trading loss. But investors have not been told about the nature of the transactions. They arose in a derivatives subsidiary. The hope must be that the book losses reported yesterday will be reversed when market conditions improve.

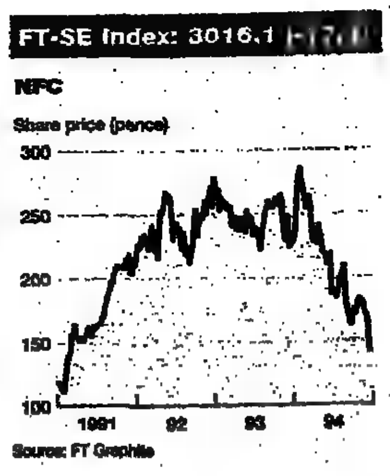
Trading losses apart, the 38 per cent decline in provisions for bad and doubtful debts is an encouraging sign. Recovery in the German economy shows through earlier here than in the mainstream lending business. As lending picks up and provisions drop further, it looks increasingly likely that German bank profits will next year match or exceed the record levels of 1993. Reflecting this, shares in both Dresdner and Deutsche Bank have outperformed the market in the last four months – but Dresdner has outpaced its bigger rival. The enigma over Dresdner's trading losses may provide an excuse for investors to [illegible]

Derivatives

The reaction in some quarters to high-profile losses from derivatives and other leveraged financial instruments has been near-hysterical. There is [illegible] danger that regulators will respond by throwing out the tried and [illegible] principle of *caveat* [illegible] There is pressure to replace it with rules requiring [illegible] establish [illegible] product [illegible] for [illegible] particular client before selling it. Fortunately, regulators [illegible] far stepped back from embracing this suit[illegible] criterion.

This week's [illegible] between Bankers [illegible] and [illegible] Federal Reserve goes [illegible] far as [illegible] sensi[illegible] in regulating the relationship between banks and their clients in this area. It requires the bank to ensure that its clients have sufficient information to [illegible] the risks

FT-SE Index: 3016.1 [illegible]



[illegible] are assuming. The final responsibility for judging whether products are [illegible] the clients, which is as things should be.

If there is a case for more action, it is in pushing the disclosure principle further down the line. Companies and institutional [illegible] could [illegible] their [illegible] the risks they are assuming. If the likes of Orange County and Procter [illegible] Gamble had to reveal to taxpayers and shareholders exactly what they were investing in, they might think more carefully [illegible] leveraged products really suited their needs.

NFC

The market has lost its patience with NFC. The stock was supposed to be [illegible] recovery play. Yet with its main markets out of recession, year-on-year operating [illegible] in the fourth quarter dropped 23 per cent. Particularly worrying [illegible] continental European operations' [illegible] This was where NFC was supposed to generate its future expansion.

NFC's underlying businesses appear to be in trouble: lower growth rates, [illegible] organised competition, and increasingly price-conscious customers are undermining the economics of [illegible] group's operations. [illegible] has not reacted fast enough to the new environment. [illegible] need to be cut sharply if NFC is to compete with low-overhead competitors. It also needs to focus on [illegible] core expertise, [illegible] of the low-margin BRS truck rental business and Lynx parcel service.

Apart from Eurotunnel, NFC has been the transport sector's worst performing stock this year, down 48 per cent from its peak. The shares are unlikely to go much lower given the 8 per cent yield. But the group is not bid-proof: its employees' double voting rights provide less protection than before, given they now command only 11 per cent of the shares. Nor do its customers' contracts, which permit renegotiation if NFC has new owners, provide an insurmountable barrier. The new chairman and his soon-to-be-appointed chief executive cannot afford to add to NFC's mistakes.

Siebe

Siebe has been promising organic growth for some time. Yesterday it produced some. The controls group has yet to reach its target of increasing sales from existing operations by 10 per cent. But organic growth in the half year to end-September was 7.2 per cent and orders [illegible] up 13.4 per [illegible] – meaning Siebe should achieve its goal for the second half. Operating margins were slightly up despite low margins at some recently acquired companies. In time, these should rise towards Siebe's 14 per cent average.

The strength of Siebe's business is shown by its return on net assets which has moved over 26 per cent. The group benefits from operating in markets which are growing fairly quickly but which are protected by high barriers to entry. Siebe's high levels of research and capital spending should enable it to increase its market share steadily without suffering an erosion of margins.

With annual cash flow of about £100m and gearing at the half year down to 19 per cent, Siebe is well placed to keep up a steady flow of infill acquisitions. So far, it has shown itself adept at integrating new purchases. If Siebe also confirms in coming months its capacity to grow organically, [illegible] shares will deserve more than the slight market premium on which they now trade.

PaineWebber

Yesterday *Lex* incorrectly [illegible] that PaineWebber was jettisoning Kidder Peabody's Tokyo office and stock exchange membership, and [illegible] its mortgage-backed bond portfolio. In fact, when PaineWebber agreed to acquire [illegible] assets [illegible] Kidder Peabody, it had the option to acquire the [illegible] but elected not [illegible] The mortgage-backed portfolio was never part of the asset-purchase agreement.

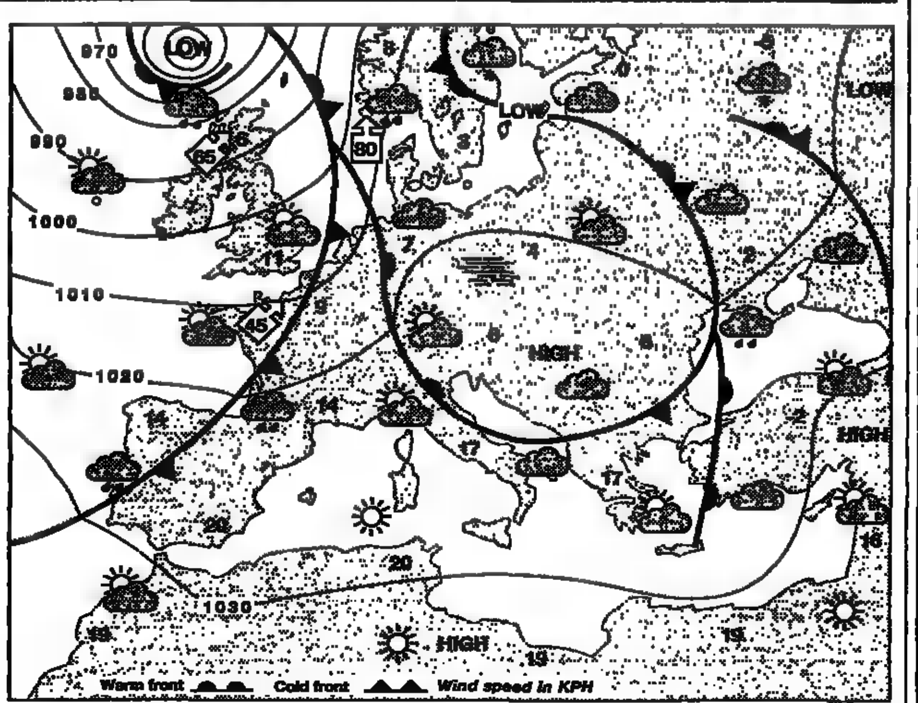
FT WEATHER GUIDE

Europe today

An active frontal system will probably cause gale force winds over the North Sea which will affect the coasts of The Netherlands, Denmark and southern Norway. Rain will spread over the Low Countries, France and Spain, while southern Norway will have plenty of coastal rain turning to sleet and snow inland. Eastern France, Germany, Poland and the Alps will start frosty with local fog. Sunny spells will develop but cloud will thicken as rain approaches from the west. Showers with sleet, hail and thunder will enter north-west Ireland and western parts of Great Britain. Eastern England will have sunny spells and a few showers.

Five-day forecast

The next few days will be unsettled. A new Atlantic depression will reach Scotland on Thursday causing storms along the western coasts of Ireland and Great Britain. [illegible] cold front will track slowly over western France and the Low Countries on Friday accompanied by rain. Another depression is expected to move east over the Mediterranean on Thursday causing showers in Italy and snow in the southern Alps.

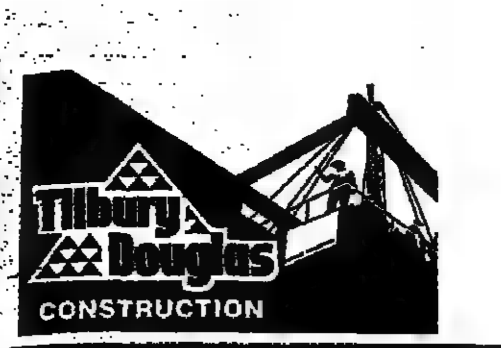


Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	fair	10	Caracas	fair	[illegible]
		Celsius	Belfast	thund	6	Cardiff	shower	[illegible]
Abu Dhabi	fair	[illegible]	Belgrade	cloudy	8	Casablanca	sun	[illegible]
Accra	[illegible]	[illegible]	Berlin	sun	5	[illegible]	snow	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	cloudy	24	Cologne	cloudy	9
Amsterdam	[illegible]	8	Bogota	fair	[illegible]	Dakar	sun	27
Athens	cloudy	18	Bombay	[illegible]	32	Dallas	fair	25
Atlanta	fair	21	Brussels	[illegible]	10	Delhi	fair	28
B. Aires	sun	27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.ham	[illegible]	9	C.hagen	[illegible]	[illegible]	Dublin	shower	7
Bangkok	fair	33	[illegible]	sun	19	Dubrovnik	cloudy	16
Barcelona	fair	16	Cape Town	fair	26	Edinburgh	fair	7

Faro	rain	13	Madrid	drzzl	11	Rangoon	fair	[illegible]
Frankfurt	fair	6	Majorca	fair	18	Reykjavik	sleet	[illegible]
Geneva	fair	8	Malta	sun	19	Rio	shower	[illegible]
Gibraltar	fair	19	[illegible]	thund	8	Rome	fair	17
Glasgow	hail	7	Manila	fair	31	S. Frsco	cloudy	11
Hamburg	rain	6	Melbourne	shower	30	Seoul	sun	10
Helsinki	cloudy	-1	Mexico City	fair	20	Singapore	shower	31
Hong Kong	cloudy	[illegible]	Miami	shower	28	Stockholm	[illegible]	2
Honolulu	shower	28	Milan	fog	7	[illegible]	[illegible]	8
Istanbul	[illegible]	12	[illegible]	fair	-3	[illegible]	sun	26
[illegible]	shower	[illegible]	[illegible]	snow	-5	[illegible]	[illegible]	19
Jersey	shower	[illegible]	Munich	fog	[illegible]	Tel Aviv	fair	17
Karachi	sun	[illegible]	[illegible]	thund	[illegible]	Tokyo	rain	14
Kuwait	sun	15	[illegible]	fair	17	Toronto	[illegible]	-1
L. Angeles	fair	18	Nassau	fair	29	Vancouver	rain	3
Las Palmas	sun	22	New York	rain	6	Venice	drzzl	10
Lima	fair	24	Nice	cloudy	14	Vienna	fair	2
Lisbon	rain	16	Nicosia	fair	15	Warsaw	cloudy	4
London	shower	11	Oslo	windy	0	Washington	rain	12
Lux.bourg	rain	5	Paris	rain	11	Wellington	cloudy	21
Lyon	[illegible]	12	Perth	[illegible]	28	Winnipeg	fair	-12
Madeira	[illegible]	21	Prague	sun	3	Zurich	fair	7



FINANCIAL TIMES

COMPANIES & MARKETS

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IN BRIEF

Trygg to refinance its US associate

Trygg-Hansa, the Swedish insurer, has arranged a $590m refinancing of its US associate, Home Holdings, in an attempt to draw a line under its disastrous investment in the group. Page 18

Royal Bank of Canada tops C$1bn
Royal Bank of Canada has become the country's first financial-services group to post annual profits of more than a billion dollars with net earnings of C$1.17bn (US$852m), nearly four times higher than a year earlier. Page 20

Bank Tiara Asia launches share issue
Bank Tiara Asia, the rapidly-growing Indonesian bank, is launching a Rp200bn ($91.8m) share issue that will double its share capital. Page 21

Deutsche Bank, Morgan Grenfell make loan
Deutsche Bank and its merchant banking subsidiary Morgan Grenfell have joined forces in the syndicated loans market and the first co-arranged loan [illegible] £200m ($328m) revolving credit for the Co-operative Insurance Society, the UK retailer. Page 22

Milestone for Australian Stock Exchange
The Australian Stock Exchange is approaching a milestone in the form of a multi-lane expressway to be built near Sydney. Hills Motorway will be the country's first publicly-listed infrastructure project and shares are due to start trading in a few weeks. Page 21

Allied Colloids falls short of expectations
Shares in Allied Colloids, the speciality [illegible] group, fell 13p to 117p yesterday after its its first-half results fell short of market expectations. This was despite a 27 per cent increase in profits to £24.2m ($40m). Page 24

Casino group pays first dividend
London Clubs International, the London casino operator which owns the Ritz and five other London casinos, has announced interim pre-tax profits of £16.3m ($26.7m) up from £13.9m. The group, floated on the USM in May, declared a maiden interim dividend of 4.25p. Page 26

Saatchi to launch Zenith in the US
Saatchi & Saatchi, the advertising group, is to launch its Zenith media-buying business in the US from January, the group announced yesterday. Zenith Media US, with billings of about $2bn, will be the largest media buyer in the US. Page 23

NFC suspends profit share scheme
Operating profits fell at NFC, the UK transport and logistics group, because of losses in European logistics, and a declining contribution from moving services. NFC also announced the first suspension of its employee profit share scheme, since it was privatised in 1982. Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Lahmeyer	590	+	[illegible]	Dollfus Mieg	[illegible]	+	9
Falls				Pernod	323.6	+	5.9
Altana	[illegible]	–	15	**Falls**			
Bayer	341.6	–	[illegible]	BIC	644	–	[illegible]
Hochtief	908	–	[illegible]	[illegible]	332	–	[illegible]
MAN	401.5	–	11.5	Gaz[illegible]	[illegible]	–	[illegible]
Siemens	598.5	–	[illegible]	[illegible]	265	–	4.4

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Apple Comp	37⅞	+	⅞	Dai Tokyo	555	+	24
Chase Man	35⅝	+	⅝	Koito Manf	795	+	29
Compaq	41⅛	+	1	[illegible]	940	+	[illegible]
Falls				Nippon Soda	650	+	30
[illegible]	41	–	[illegible]	**Falls**			
Borden	13½	–	⅜	S'tomo Osaka	[illegible]	–	[illegible]
Dig Equip	[illegible]	–	[illegible]	Toshiba Eng	952	–	[illegible]

New York prices at 12.30pm.

LONDON (Pence)							
Rises				De La Rue	983	–	30
BTR	284½	+	7½	Fletcher King	[illegible]	–	11
Charter	780	+	25	NFC	147	–	15
MAID	50	+	5	Powell Duffryn	517	–	25
Portals	771	+	[illegible]	Ransomes	84	–	6
Real Time	179	+	[illegible]	Sterling Publ	116	–	15
[illegible]	87	+	14	Taunton Cider	[illegible]	–	11
Stagecoach	227	+	12	Yorkshire Elec	715	–	13
Falls							
[illegible]	117	–	13				
Cable & Wire	369½	–	8½				

Fidelity Magellan skips cash pay-out

Largest US mutual fund, with $35bn assets, cites tax rules [illegible] move unsettles world markets

By Richard Waters in New York

Fidelity Investments' Magellan Fund, the US's biggest mutual fund, said it would not make a year-end distribution to its 3m investors, the first time it has not made a year-end cash payment since 1988. The news raised concerns about the cash reserves of Magellan, the US's biggest and most famous mutual fund with assets of $35bn (£21bn). The fund has been operating with little liquidity for most of this year.

However, Fidelity, the Boston-based mutual funds group, said the lack of a cash distribution reflected US tax-accounting rules, rather than an internal decision to conserve cash. "We don't pay [illegible] more [illegible] what's required because there would be tax implications for our shareholders", Fidelity [illegible]. "The fund's goal [illegible] provide long-term capital appreciation."

[illegible] US [illegible] rules, mutual [illegible] distribute all [illegible]dend and interest income, together with net capital gains from buying and selling shares. Individual investors are then taxed on the cash they receive.

For this reason, Fidelity said, it does not pay out any cash other than that required under the tax rules. It made an interim cash payment in May. The announcement comes three weeks after Fidelity had calculated a year-end payment of $4.32 a share for Magellan shareholders. Magellan's net asset value has fallen by 3.2 per cent this year.

[illegible] change [illegible] any [illegible] portfolio activity", [illegible] said. Instead, it added, the original calculation [illegible] error. The $4.32-a-share payment would have amounted to a total cash distribution of about $2bn.

Magellan's [illegible] to just 2.2 per cent of its total assets at the end of September, compared to what Fidel[illegible] said was an average of 5-10 per cent in its mutual funds. If it needed to raise cash quickly, for instance to repay investors who [illegible] their money, [illegible] could be forced into selling [illegible] - a move which, given Magellan's size, could depress prices generally.

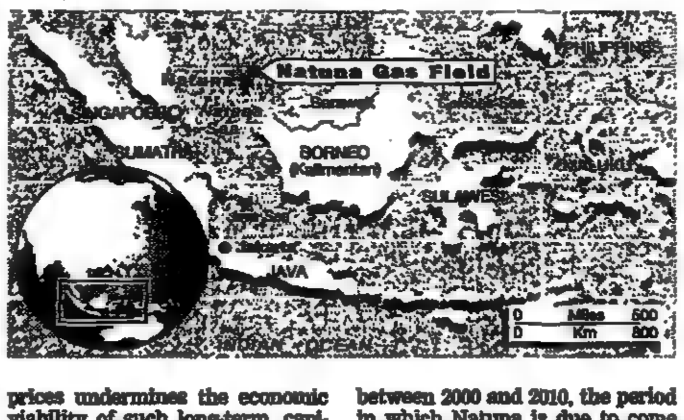
The recent decline in US share prices, together with a modest recovery in bonds, has helped to stem the flow of cash into stock funds in recent weeks. Investors bought $8.3bn of shares in stock funds in October, net of sales, against $10bn the month before.

The news late on Monday had contributed to declines in world stock markets yesterday. In early trading, the US [illegible] fell, partly in reaction [illegible] the [illegible] from Magellan, but it shrugged [illegible] the [illegible] by midday.

Magellan and its most [illegible] manager, Mr Peter Lynch, [illegible] legendary [illegible] among small [illegible] during [illegible] 1980s. A [illegible] investment made in [illegible] fund in 1977, when Mr Lynch began [illegible] it, [illegible] worth [illegible] by 1990, when [illegible] retired. [illegible] then, [illegible] two managers - Mr Morris Smith, [illegible] ran it [illegible] until [illegible] current manager, Mr Jeffrey Vinik. Mr Vinik has [illegible] aggressive investments in high-technology [illegible]

US group set to sign first big Asian gas project

Exxon's Indonesian LNG pact on course



By Robert Corzine in London and Manuela Saragosa in Jakarta

Exxon, the US energy group, says it has finalised all details of its *$40bn agreement with Indonesia* to develop the giant Natuna natural gas field. Mr Fritz Voight, Exxon's vice president for gas, this week dismissed industry rumours that key details of the deal signed last month in Jakarta with Pertamina, the Indonesian state energy company, still need to be resolved.

He said Exxon considered the agreement complete, and that there was "no need for further negotiation". A formal signing of will take place after January 1.

The preliminary framework agreement *did* not include *full* details because Exxon is awaiting beneficial changes to Indonesia's tax laws which only come into force next month, he said.

Natuna, which has been the subject of negotiations since 1980, will be Exxon's first big foray into the liquefied natural gas (LNG) market in Asia.

The field, located in [illegible] Natuna Sea about 1,250 km north of Jakarta, is the largest undeveloped hydrocarbon resource in south-east Asia. It is equivalent in size to the Norway's Troll gas field, the largest in western Europe.

The timing of the Natuna deal has surprised many industry executives. They say that the per[illegible] of relatively low oil prices undermines the economic *viability of such long-term, capital* intensive projects.

Demand forecasts for LNG also vary widely. In addition a number of existing LNG plants which supply Japan and the other main Asian markets plan to expand capacity, while middle eastern producers such as Qatar have also embarked on large-scale LNG projects targeted at Asia.

> Exxon expects Japan to need more LNG imports just as Natuna comes on stream

Mr Voight agrees that there is little need for additional LNG supplies in Asia up to the end of the decade. He also concedes that Exxon's demand forecasts for Japan are "slightly more optimistic" than those of the Tokyo government.

But he denies that there is a danger that an LNG surplus could emerge. Exxon believes there will be a "significant need" for Japan to increase its LNG imports for power generation between 2000 and 2010, the period *in which Natuna is due to come* onstream. It also predicts that demand will grow in Taiwan and South Korea.

Mr Voight said China is also likely to be an attractive market for Natuna gas, which he says should be competitive against coal imports into southern China.

He said it was impossible to give a start-up date for the project until Pertamina signs up an initial buyer. "How long it will take them to get a letter of intent is unpredictable."

Exxon estimates, however, that *it will take eight years to complete* the first phase of the project from the time that the first sales agreement is reached.

The Indonesian government is encouraging other international energy companies to explore for additional gas reserves in the Natuna Sea as a means of strengthening its future bargaining position with Exxon.

But Mr Voight doubts that any other reserves would rival the size of Natuna.

Exxon says it would not be surprised if an additional partner joined the project to ease the financial burden on Pertamina. Mobil, another US oil company with extensive interests in natural gas, is known to be particularly keen to join the project.

Dresdner profits fall sharply on own-account loss

By Andrew Fisher in Frankfurt

Dresdner [illegible] yesterday [illegible] a sharp fall in profits [illegible] first 10 [illegible] the weakness in world bond markets pushed its financial trading activities into the red.

The [illegible] group operating [illegible] dropped by 17 per [illegible] DM1.33bn [illegible] in [illegible] January-October period. Heavy [illegible] on [illegible] bond holdings, [illegible] by rising capital [illegible] rates, [illegible] trading [illegible] own [illegible] – including securities, foreign exchange and other financial dealings – produced [illegible] against a profit of DM536m. Two-thirds of the [illegible] from [illegible] business by [illegible] subsidiary, Banque Internationale de *Placements, but* [illegible] *more than* compensated for by profits on linked interest [illegible]

[illegible] operating profit from its basic lending, deposit and investment business with customers, excluding own-account trading, was 17.5 per cent higher at DM2.8bn. The surplus on interest rate business, including the profits on derivatives-linked business, increased by 12 per cent to DM5.7bn. Mr Sarrazin said this was due to higher volume and a higher interest margin, partly as a result of derivative instruments.

Although uncertainty on the bond market affected the bank's securities business, commission income picked up by 7 per cent to DM2.5bn. Preventing an even steeper slide in operating profits [illegible] 16 per [illegible] in loan loss provisions to DM1.05bn. Mr Sarrazin said the need for pro[illegible] domestic [illegible] was well below the 1993 level.

Mr Jürgen Sarrazin, the chairman, hit out [illegible] the official investigation into allegations that [illegible] bank had helped investors [illegible] evade tax by transferring funds to Luxembourg.

The resulting debate was damaging for Germany's status as a financial centre, [illegible]. The authorities' actions, he added, set a "questionable signal" and "criminalise the financial centre of Luxembourg". In his comments on the probe of alleged abetting [illegible] evasion, he [illegible] German financial authorities misunder[illegible] free capital movements.

Only if investors [illegible] their [illegible] would Germany [illegible] to attract [illegible] capital. "Capital is as shy [illegible] a deer – [illegible] have an extremely fine ear [illegible] political discord."

[illegible] bank [illegible] denied [illegible] and sharply [illegible] the probe by [illegible] and the [illegible] prosecutor's office into allegations it [illegible] covering up trans[illegible] funds to Luxembourg [illegible] help investors avoid German withholding [illegible]. Mr Sarrazin called [illegible] a harmonisation of [illegible] systems and [illegible] it [illegible] understandable that [illegible] used differing national [illegible] to their advantage.

Lex, Page 16;
Shares proposal, Page 18

Siebe goes for growth after jump in profits

By Tim Burt in London

Siebe, [illegible] international controls group, yesterday [illegible] it would accelerate its global expansion programme following a [illegible] per cent increase in first-half profits.

The company, one of the UK's largest engineering companies, saw pre-tax profits increase to £119.5m ($195.98m) from £93m in [illegible] *six months* [illegible] *September* 30, [illegible] rose 13 per cent to £1.01bn.

Welcoming the figures, Mr Allen Yurko, [illegible] executive, [illegible] they provided a strong platform for growth both organically and by acquisition. "We're stepping up [illegible] expansion and [illegible] like [illegible] enhance our [illegible] in [illegible] Europe, the [illegible] and *South America," he* [illegible].

Although North America remained [illegible] largest market with increased [illegible] of £465.1m, [illegible] £435.6m, [illegible] keen [illegible] exploit growing demand in [illegible] and the [illegible] Rim, where turnover [illegible] 34.9 per [illegible] £136.8m.

Mr Yurko said the [illegible], which manufactures products ranging from sophisticated pro[illegible] controls systems [illegible] produced components, would [illegible] acquisitions in [illegible] region [illegible] was [illegible] to focus initially on further joint ventures.

In recent months, Siebe [illegible] announced plans [illegible] acqui[illegible] totalling £79.7m, while its [illegible] subsidiaries – Eckardt and NAF – made [illegible] time sales contributions of £52m.

[illegible] group's acquisition [illegible], financed partly from borrowings and funds left [illegible] from last year's [illegible] issue, would [illegible] at a similar pace, Mr Yurko added.

Profits on continuing operations, [illegible] rose from £121.2m [illegible] £139.7m.

The improvement was underpinned by its two largest divisions – temperature & appliance controls and controls systems – which reported increased profits of £57.4m (£52.9m) and £57.2m (£43.2m) respectively.

"Control systems has been a real [illegible] and orders [illegible] increased by more than 30 per cent," said Mr Yurko.

Its contribution was [illegible], however, by declining profits in safety and life support systems and specialist mechanical engineering, which was hit by cuts in defence spending.

Earnings per share rose from [illegible] 16.2p. Siebe declared a 10 per cent rise in the interim dividend to 4.03p (3.66p).

Lex, Page 16

Barry Riley

Don't think small when you can think micro

If small [illegible] beautiful, microscopic must be exquisite. That appears to be the philosophy behind the new Gartmore Micro Index Trust, a closed-end fund for which Gartmore is battling to collect up to £50m ($75m) by next Tuesday in tough UK market conditions. However, it claims to have the £34m institutional allocation safely gathered.

Another interpretation of the Micro approach – which is to invest in the London stock market's smallest companies which in aggregate make up 1 per cent of the capitalisation – is that small cap managers are having to dig deeper to find any gold.

The MicroCap Index is the latest product of two prolific London Business School professors, Elroy Dimson and Paul Marsh. *They designed the Hoare Govett* Smaller Companies Index in 1986, [illegible] the bottom 10 per cent of the market by capitalisation.

Their [illegible] substantial and consistent outperformance over many years of history. It [illegible] for [illegible] company stocks in the UK, mirroring a similar US fashion.

But as so often happens, backtesting of statistics has proved to be a poor guide to the future. Small cap outperformance in the UK has melted away: the HGSC Index has [illegible] *under*performed the All-Share Index over both the past five-year and ten-year periods.

Undaunted, Dimson and Marsh [illegible] dug deeper. They [illegible] dreamed up the HG 1000, covering the bottom 2 per cent of the London market by capitalisation. A £30m Hoare Govett 1000 Investment Trust was launched last month. Now the still more selective MicroCap Index has been licensed to Gartmore. Like the HG 1000 trust the Micro fund is a closed-end index-tracker, a format which recognises poor liquidity at this market fringe.

And whatever may have happened *over the past few years,* small cap fans have enjoyed 1994.

> At the bottom of the market lies an odd collection of the has-been and the never-was, plus odd gems

The FT-SE 100 Index of the biggest *blue chips* has been the worst-performing of the various UK indices with a negative total return of 6.4 per cent to the end of November. The HGSC index shows minus 2.6 per cent but the HG 1000 (excluding investment trusts) is at plus 3.1 per cent. As for the MicroCap, it has returned 4.7 per cent, outperforming the All-Share by about 11 per cent in eleven months.

What about the very long run? From 1955 to 1993 inclusive the MicroCap achieved an annualised average rate of return of 22.0 per cent, against 18.7 per cent for the HSGC and 14.5 per cent for the All-Share. An extra 7.5 per cent a year is extraordinary.

Where does the extra performance come from? At the bottom of the market lies an odd collection of the has-been and the never-was, plus [illegible] odd [illegible] in turnrounds and shells. Right now [illegible] are recovery hopes and above-average exposure to manufacturing.

Micro companies are cheap on the basis of share price to sales, but not on price to earnings. The fund [illegible] institutions the chance diversify into a market sector where they probably are *not already exposed. Gartmore's* statistics suggest cheekily that MicroCap [illegible] have [illegible] higher and less volatile than Hong Kong's.

But on the basis of its often troubled constituents this is more of a submerging than an emerging market. True, there is an enhanced small company effect, a higher return which probably relates to the poor liquidity and high specific risk when you scrape the bottom of the stock market's barrel. There is also a rebalancing effect, similar to that recently discussed in the rather different context of pension fund asset allocation strategy.

Here the rebalancing arises from the way the MicroCap Index is constructed, with the more successful constituents climbing out but weak companies sinking in. A manager tracking the index is forced to take profits on winners and reinvest in losers. So long as enough losers recover – which in deep recessions they may not – this recycling process [illegible] likely to add value.

Let's hope so. Although [illegible] micro formula may have worked over 40 years and over one year it has struggled since the late 1980s. But with £80m of new money going into the bottom 2 per cent of the UK market the dogs may be about to have their day.

Trygg-Hansa in $590m refinancing

[illegible] Christopher Brown-Humes in Stockholm

Trygg-Hansa, the Swedish insurer, [illegible] arranged a [illegible] refinancing of its troubled US [illegible] Home Holdings, [illegible] it moves [illegible] draw a line under its investment in the group.

The debacle is set to [illegible] about SKr5bn ($667m), including more than SKr4bn in [illegible] which will hit its 1994 results. Trygg bought into the US company, which is nearly [illegible] size, in 1991.

"This investment has produced catastrophic [illegible] Trygg. The strategy [illegible] wrong from [illegible] beginning," said Mr Lars Thunell, [illegible] newly-appointed chief executive. He said Trygg was [illegible] a new [illegible] after "four lost years" when it ceded Swedish market share and suffered huge [illegible] because of its involvement in Sweden's Gota AB, Svenska Kredit and IC Holding, which all collapsed [illegible] from Home, Gota, Svenska Kredit and IC Holding exceed SKr11bn.

[illegible] investor group, comprising Fund American Enterprises Holdings, Trident Partnership and Hellman [illegible] Friedman, [illegible] investing $420m in Home to strengthen its balance sheet.

The [illegible] should should allow Home [illegible] regain a competitive rating, after downgradings by three US rating [illegible] cies, and strengthen its market position.

Trygg is writing off a $170m loan to Home and giving the US investor group an option to buy 14.5m [illegible] its 22.5m shares. As a result ofthe dilutive effect [illegible] the deal Trygg's stake in Home will fall to [illegible] per cent from 64.5 per cent and to as little as 6 per cent if the option is exercised.

On Monday the [illegible] company announced plans to write [illegible] its investment in [illegible] by at least SKr2.8bn.

Mr Thunell [illegible] Trygg's remaining investment was "purely financial" and [illegible] it would probably be [illegible] if an acceptable [illegible] made.

The refinancing is expected to [illegible] finalised in the next few [illegible]

Mr Jack Byrne, chairman of Fund American, will be Home Holdings new chairman. Fund American is a Vermont-based financial services group. Hellman & Friedman is a San Francisco-based merchant bank and Trident Partnership an investment fund organised by J. P. Morgan and Marsh [illegible] McLennan.

Home has been hit by [illegible] to long-term environmental and professional liability claims and by [illegible] unreal- [illegible] on [illegible] bond portfolio. Its nine-month loss of $121m was due mainly [illegible] $175m in [illegible] building.

German shipping group [illegible] record year

By Charles Batchelor, Transport Correspondent

Hapag-Lloyd, the German shipping and tourism group, expects operating profits [illegible] to [illegible] record DM720m [illegible] in 1994, in spite of the failure of its container shipping operations to achieve its target of breaking even.

The main contribution [illegible] profits, up from DM645m last [illegible] is expected to come [illegible] the Hamburg-based company's tourism activities, including leisure air travel, [illegible] holidays [illegible] its travel [illegible]

Profits [illegible] the company's cruise operations have fallen, partly [illegible] the destina- [illegible] by the cruise liner Europa – including India and South Africa – did not prove popular. Nevertheless, [illegible] has chartered a second smaller [illegible] liner, the Bremen, and [illegible] an option to buy it next [illegible]

Hapag's container operations will [illegible] an [illegible] of between DM10m and DM15m, Mr [illegible], chairman, [illegible] in London. This represents [illegible] improvement on the 1993 loss [illegible] DM50m but [illegible] than the [illegible] break-even. The company now hopes to reach break-even [illegible] 1995, Mr Wrede [illegible]

The company's container [illegible] have been restructured [illegible] resulting in [illegible] 20 [illegible] in employee numbers to [illegible]

At [illegible] time, the number [illegible] containers shipped [illegible] by 15 [illegible] 850,000 twenty-foot unit equivalents (teu) [illegible] operating [illegible] have remained steady.

[illegible] turnover [illegible] expected [illegible] DM4.1bn in 1994 from DM3.9bn the year before. Container shipping [illegible] for just [illegible] of [illegible] the total.

Hapag [illegible] to [illegible] just over DM400m [illegible], compared with the average [illegible] DM500m to DM550m [illegible]. The company [illegible] disposed of its towing operations, contributing DM85m towards a total capital gain on asset sales of DM120m included in the operating profit figure.

Dresdner Bank moves to cut nominal share value

By Andrew Fisher in Frankfurt

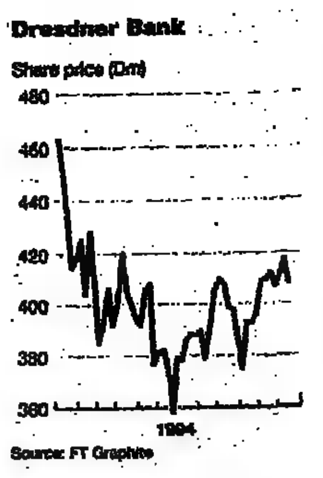
Dresdner Bank yesterday took a significant step towards realising the concept of wider share ownership by becoming the first big German corporation to announce it will split up its shares to make them more affordable.

Mr Jürgen Sarrazin, chairman, said the bank would propose to the next annual meeting that the nominal value of its shares be reduced to DM5 from DM50 each.

Other companies, such as the Schering chemicals group, have said they plan to do this, but Dresdner is the first to make the move.

German shares are some of the most expensive in the world. Dresdner Bank's share price yesterday stood at about DM408 ($260); adopting a nominal share denomination of DM5 that would be reduced to just over DM40.

The costliest share in Germany is that of the Allianz insurance group, yesterday quoted at DM2,475.



Source: FT Graphite

Mr Sarrazin [illegible] he hoped [illegible] German companies would take advantage of the provision in [illegible] new financial [illegible] promotion law allowing companies to [illegible] nominal share values.

[illegible] said it was likely the DM15bn share issue by state-owned Deutsche Telekom, [illegible] German telecommunications [illegible] in 1996 would [illegible] in the form of [illegible] shares [illegible] a wide range of investors.

"I assume that all big compa- [illegible] want a wider spread in [illegible] ownership [illegible] shares," he added.

The [illegible] to 12 months would show how much interest there was in moving to lower denominated shares.

Two recent German new issues – the Fielmann optical chain and Hanover Re, the reinsurance group – have been in DM5 nominal shares.

[illegible] recent study by DG Bank concluded that [illegible] towards DM5 nominal shares would raise [illegible] interest [illegible] private investors [illegible] equities.

Compared with [illegible] other countries, investment [illegible] shares [illegible] a low proportion of total savings [illegible] investment. DG [illegible] said the average [illegible] of units in the DAX index [illegible] leading shares was DM570 in April.

Only Switzerland, with an average price of [illegible] was higher. US shares [illegible] quoted [illegible] an [illegible] equivalent [illegible] about DM70, with those in Tokyo at DM20 and in London [illegible] DM13.

Lex, [illegible] 16

Burmeister drops plans for link-up

By Hilary Barnes in Copenhagen

Burmeister [illegible] Wain, the [illegible] Copenhagen shipyard, [illegible] abandoned plans for co-operation with Kockums, [illegible] shipyard in Malmo, across [illegible] the [illegible] capital.

[illegible] for integrated co-operation between [illegible] Danish [illegible] yards, [illegible] joint shipyard company, [illegible] announced [illegible] month, but the yards [illegible] yesterday they [illegible] find [illegible] satisfactory [illegible] co-operation.

However, the Danish yard, with about 1,700 employees, [illegible] it hoped [illegible] strengthen [illegible] financial position by selling [illegible] shipping [illegible] BurWain Tankers International, [illegible] has [illegible] 70 per [illegible] holding.

The yard has [illegible] ships [illegible] speculative [illegible] for [illegible] Tankers, whose losses [illegible] contributing [illegible] the group's problems.

[illegible] was in negotia- [illegible] companies to restructure [illegible] dollar [illegible]. But [illegible] said [illegible] ing of work [illegible] six bulk carriers on [illegible] the yard, was being provided by [illegible] banks.

[illegible] Holding [illegible] fell [illegible] DKr45 yesterday, compared with [illegible] at the end of [illegible] year.

Deutsche Aerospace signals sharp reduction in losses

By Michael Lindemann in Bonn

Deutsche Aerospace (Dasa), the aerospace division of Daimler-Benz, said it would "substantially" reduce [illegible] this [illegible] hoped [illegible] be back in profit by [illegible] end of [illegible]

However, turnover [illegible] 1994 [illegible] likely [illegible] slip below [illegible] DM18.6bn ($11.8bn) recorded [illegible] growing competition.

The [illegible] the [illegible] hoping [illegible] last-minute orders from [illegible] tries, which have yet to exhaust their [illegible] for the current year.

Speaking [illegible] of final profit figures, expected in April, [illegible] Manfred Bischoff, the designated [illegible] executive, [illegible] that [illegible] company's results [illegible] depend heavily on an unsteady dollar [illegible]

The [illegible] lost DM694m in 1993, but Mr [illegible] to give any [illegible] the extent [illegible] trimmed [illegible]

Dasa, Europe's largest [illegible] company, earns its [illegible] in dollars, the currency [illegible] price aerospace prod- [illegible] but spends it in D-Marks, a policy which makes it particularly susceptible [illegible] exchange rate [illegible]

The dollar is worth about DM1.57; if it [illegible] Dasa will report "fantastic" results, it [illegible]

The company [illegible] still [illegible] government for more money [illegible] stiff competition from US competitors.

NEWS DIGEST

Schneider sells Simel

Schneider, the French [illegible] equipment and engineering group, [illegible] Simel unit [illegible] AMP of the [illegible] for [illegible] sum, AP-DJ [illegible] from [illegible]

[illegible] the [illegible] part [illegible] to [illegible] non-strategic [illegible] and [illegible] debt.

[illegible] produces equipment for [illegible] and [illegible] distribution networks, and operates in [illegible] than 60 countries. The company, which posted 1993 [illegible] ($81.5m), employs [illegible] people.

AMP, meanwhile, posted [illegible] of FFr3.5bn and has [illegible] employees.

[illegible] said [illegible] Simel [illegible] only strengthened [illegible] US company's international [illegible] positions, but [illegible] provided [illegible] with technical support [illegible] AMP.

Rhône-Poulenc sale

Rhône-Poulenc, the French chemicals [illegible] TDI business to [illegible] Chemical [illegible] US [illegible] sum, Reuter reports from Paris.

TDI [illegible] with polyol [illegible] make polyurethane, which [illegible] for bedding, furniture and [illegible]. It generates [illegible] FFr1.2bn [illegible] for [illegible]

If [illegible] plans go ahead, [illegible] Chemical will [illegible] charge [illegible] marketing [illegible] TDI, which [illegible] will [illegible] manufacture.

Viag in unit merger

Viag, [illegible] energy [illegible] group, [illegible] merging [illegible] fireproofing activities with [illegible] of Austria, [illegible] from Bonn.

Viag [illegible] it would acquire an 18 per [illegible] in Radex, and sell the [illegible] a [illegible] per [illegible] in its fireproofing subsidiary Didier-Werke, and then a majority stake, starting in mid-1997. It said it [illegible] gradually withdrawing from Didier, in which it [illegible] 41 [illegible]

NFC shares drop 9% on news of decline in operating profits

By Simon Davies in London

Shares in NFC, [illegible] UK's largest transport and [illegible], fell 9 per cent [illegible] revealed [illegible] fall in full-year operating profits due [illegible] losses [illegible] European logistics and [illegible] declining contribution from moving services.

[illegible] suspension [illegible] employee profit share [illegible] was privatised in [illegible], a blow for a company which prides itself on its employee participation and ownership. NFC [illegible] out £3.5m ($5.5m) to staff in the previous year.

However, NFC will increase [illegible] full-year dividend by [illegible] to 7p [illegible] 6.72p.

NFC launched a [illegible] and £45m restructuring [illegible] December, but [illegible] UK [illegible] European logistics [illegible] and its [illegible] profits [illegible] in the fourth quarter. Operations [illegible] hit by uncertainty [illegible] resignation of Mr [illegible] Sherlock as chief [illegible] in August. [illegible] replacement is expected [illegible] be announced [illegible] end of [illegible]

Operating profits [illegible] to £114.2m from £116.7m for [illegible] year [illegible] 1.

[illegible] profits [illegible] to £105.6m from £104.9m. [illegible] exceptional items, the [illegible] from £95.1m.

UK logistics, [illegible] includes the Exel operations, [illegible] largest profit maker, reporting a [illegible] in operating profits [illegible] from [illegible]

Many [illegible] up for [illegible] during [illegible], and Exel [illegible] success [illegible] of [illegible] per cent, although [illegible] lost the [illegible]

Increasing competition, however, resulted in a number [illegible] being [illegible] reduced rates. Operating profit margins fell [illegible] 7.5 per cent from [illegible] fourth quarter.

In Europe, [illegible] logistics [illegible] lost [illegible] against a [illegible] profit, in spite of investments [illegible] on the Continent during [illegible] year. [illegible] business [illegible] profits [illegible] from [illegible] but at the [illegible] profit margins.

Moving services, including Allied Pickfords, [illegible] hit by [illegible] European property [illegible], and profits [illegible] to [illegible] from £20.6m. However, Lynx, [illegible] parcel service, reduced losses from [illegible]

Group [illegible] 7 per [illegible] to [illegible] from £1.9bn.

[illegible] also said it [illegible] adding a further [illegible] set aside for restructuring.

NFC [illegible] a final dividend of 2.6p, compared with earnings per share (before exceptional items) [illegible] 12p.

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CONTRACTS & TENDERS

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]	Provisional Prices for Trading on 07.12.94 Pool purchase price £/MWh	Final Prices for Trading on 09.11.94 Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	9.15	24.17	[illegible]
[illegible]	21.18	24.17	[illegible]
[illegible]	21.18	24.17	[illegible]
[illegible]	21.18	24.17	[illegible]
[illegible]	16.00	24.17	[illegible]
[illegible]	9.64	24.17	[illegible]
[illegible]	9.39	24.17	[illegible]
[illegible]	8.14	9.22	[illegible]
[illegible]	8.14	9.21	[illegible]
[illegible]	8.09	9.21	[illegible]
[illegible]	9.09	9.39	[illegible]
[illegible]	8.12	8.22	[illegible]
[illegible]	9.12	9.22	[illegible]
[illegible]	31.50	30.31	[illegible]
[illegible]	32.12	31.61	[illegible]
0800	38.72	31.48	[illegible]
0830	48.95	31.61	33.90
0900	47.64	31.82	33.91
0930	47.97	31.84	33.94
1000	48.13	31.85	[illegible]
1030	38.16	38.56	[illegible]
1100	38.86	31.86	[illegible]
1130	38.84	38.87	[illegible]
1200	38.86	44.86	[illegible]
1230	47.45	44.84	[illegible]
1300	47.09	44.82	[illegible]
1330	34.82	31.83	33.93
1400	32.84	31.82	33.92
1430	32.45	31.82	33.91
1500	10.69	31.62	38.91
1530	11.86	31.85	33.95
1600	64.06	38.58	34.85
1630	182.97	50.75	86.33
1700	291.51	93.27	[illegible]
1730	346.28	108.38	[illegible]
1800	256.87	98.12	[illegible]
1830	118.34	84.06	[illegible]
1900	69.72	47.98	[illegible]
1930	45.80	44.84	[illegible]
2000	38.86	42.75	44.67
2030	37.84	38.48	[illegible]
2100	34.24	31.61	33.90
2130	32.07	31.81	33.29
2200	30.64	31.77	33.89
2230	31.49	31.81	33.69
2300	30.10	30.31	32.40
2330	85.30	22.18	85.27
2400	10.09	9.22	9.32

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg 218.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

[illegible] Information Services Limited

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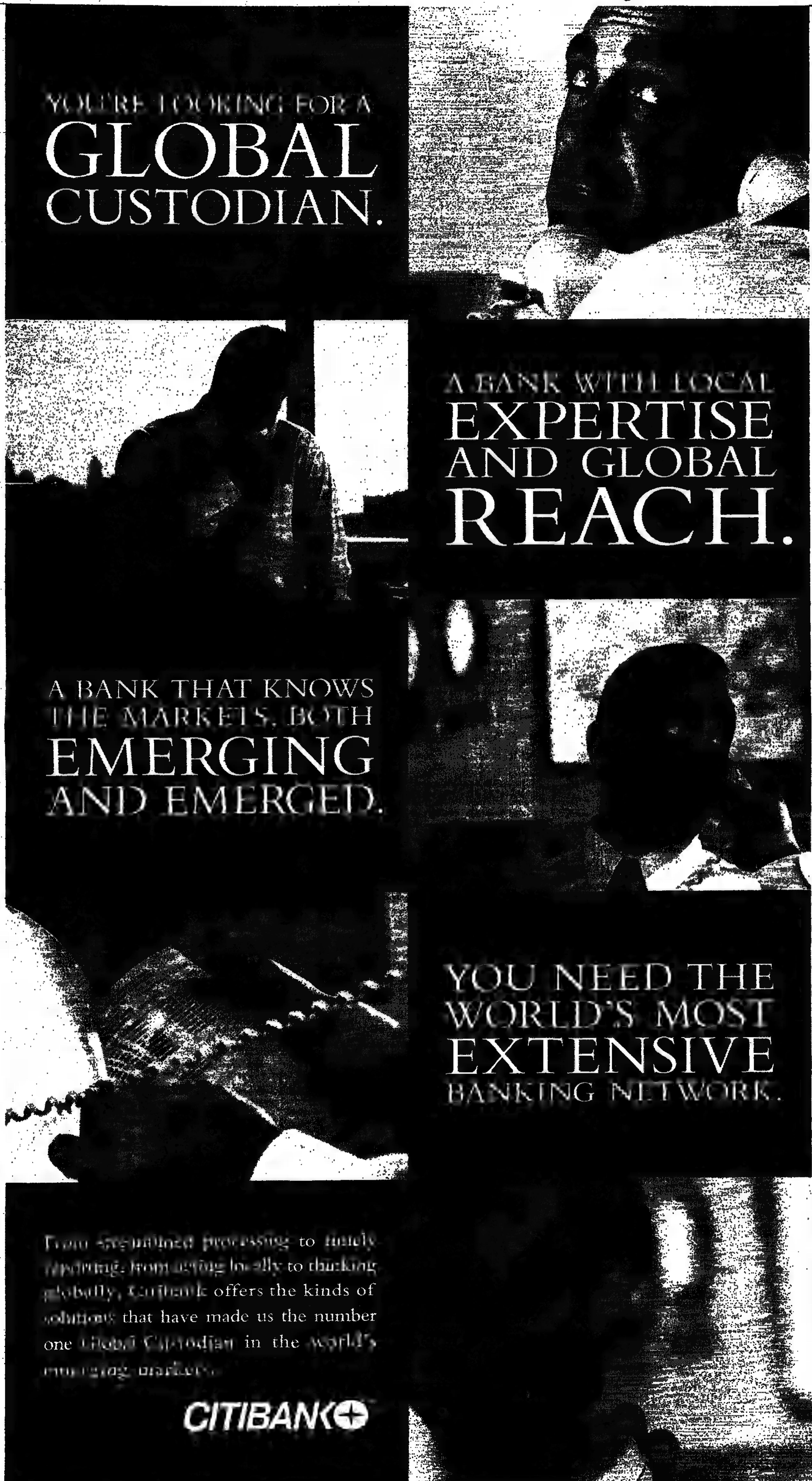


INTERNATIONAL COMPANIES AND FINANCE

Royal Bank of Canada posts strong recovery

By Bernard Simon in Toronto

Royal Bank of Canada (RBC), the country's biggest financial institution, has underlined the banking sector's robust recovery by almost quadrupling annual earnings.

RBC is the first Canadian financial [illegible] group [illegible] post annual profits [illegible] more than [illegible] billion dollars, with [illegible] earnings climbing [illegible] C$1.17bn [illegible] a share, in the year to October 31.

Earnings [illegible] previous year, totalling [illegible] or 46 [illegible] a share, were dented by hefty restructuring [illegible] and loan write-downs. Return on equity improved [illegible] per cent from [illegible] per cent.

RBC, with [illegible] of C$173.1bn [illegible] 31, ascribed the strong improvement mainly to sharply lower loan losses, a shrinking non-performing loan portfolio and the absence of one-time restructuring charges.

Loan-loss provisions were more than halved to C$820m from C$1.75bn, but the drop includes a C$250m reversal in general provisions.

Non-performing loans at the year end fell 36 per cent to C$2.1bn. RBC was hit in the early 1990s by heavy exposure to the troubled property market, especially in the Toronto area, and to resource industries. The bank has written off 15 per cent of its commercial real estate exposure.

Loans [illegible] business and government have shrunk by 3 per cent in the [illegible] part of [illegible] to reduce [illegible] to large companies and to commercial property.

The strongest growth [illegible] come [illegible] personal financial services, including a [illegible] per cent jump in mutual fund revenues and a 64 per cent rise in the fledgling insurance arm. Residential mortgages and consumer loans rose by 1 per cent.

RBC strengthened [illegible] personal finance business in 1993 with the acquisition of Royal Trust, Canada's second-biggest trust and loan company. It now has close to [illegible] automated [illegible] machines, giving it [illegible] ATM network of any North American bank.

In spite of the Royal Trust takeover, RBC's payroll [illegible] dropped from 52,700 to 49,200 in the past [illegible] reflecting aggressive [illegible] cut [illegible].

Heinz rises 23% in quarter

By Richard Tomkins in New York

H. J. Heinz, the US food group, yesterday [illegible] signs [illegible] a strengthening [illegible] from last year's disappointing performance by announcing that underlying operating profits [illegible] by [illegible] per cent in [illegible] quarter to October.

Net profits [illegible] sharply down, falling from $193.1m to [illegible], but the comparison [illegible] by a big [illegible] in the [illegible] charge and by non-recurring [illegible] in the [illegible] period [illegible] from [illegible] disposal of [illegible] confectionery [illegible] specialty rice business.

[illegible] said a better [illegible] of underlying performance was [illegible] the operating profit [illegible]. Stripping [illegible] the comparable period's non-recurring gains totalling $127m [illegible] tax, operating profits [illegible] from [illegible] $272.1m.

Earnings [illegible] share, adversely [illegible] by an [illegible] in the [illegible] from [illegible] per cent [illegible] per cent but [illegible] by [illegible] repurchases, [illegible] 56 [illegible]. This represented [illegible] increase [illegible] period's [illegible] excluding the non-recurring gains, but fell [illegible] of the 60 [illegible] in the [illegible] quarter [illegible].

Heinz [illegible] profits [illegible] resulted [illegible] a 9 [illegible] increase in [illegible] $1.98bn. Volume gains accounted for [illegible] percentage points of the increase, acquisitions accounted for 3 percentage points, and the remaining 2 percentage points came from changes in [illegible] translation rates.

The [illegible] performing well and it [illegible] still on target [illegible] achieving double-digit earnings growth in the current [illegible].

During the quarter Heinz expanded [illegible] infant [illegible] business by completing [illegible] acquisition [illegible] the family products [illegible] of Glaxo [illegible]. [illegible] the quarter-end it has [illegible] completed the acquisition [illegible] The Budget [illegible] brand [illegible] US, which it predicts will add [illegible] $650m.

Southern takes control of Empresa

Southern Co's Southern [illegible] International [illegible] acquired majority ownership [illegible] Empresa Electrica del Norte [illegible] A., a [illegible] utility, for [illegible] $58m, reports AP-DJ.

Southern Electric now holds a 59.5 per cent [illegible] in Empresa after buying an additional 21 per cent of the company from Corporacion de Fomento [illegible] Producion, a government [illegible] responsible for [illegible] development in Chile. The government [illegible] Chile is [illegible] the shares [illegible] part [illegible] its privatisation programme.

Southern [illegible] bought a [illegible] per cent [illegible] in the utility in [illegible] Electrica operates 96MW [illegible] electric [illegible] capacity.

Hawker Siddeley Canada lifts Orenda

By Robert Gibbens in Montreal

[illegible] Siddeley [illegible] has [illegible] the long term expansion of [illegible] Aerospace Division [illegible] a C$230m (US$167m) agreement [illegible] make and [illegible] jet engines and parts for [illegible] Aircraft Engines Canada, one of the world's two biggest jet engine producers.

[illegible] repairs [illegible] overhauls large jet engines and makes components for both jets and industrial turbines. It is HSC's biggest single subsidiary. The others lease railcars and build sawmill, mining and materials handling equipment.

BTR sold its 59 per cent control of HSC last spring in a C$122m secondary share offer.

Orenda will become GE Aircraft's designated manufacturer of [illegible] turbine [illegible] and other parts [illegible] three engine [illegible] worldwide.

The [illegible] will produce [illegible] C$230m worth of business over [illegible] years, and could generate [illegible] by providing access [illegible] European and Middle East markets.

Orenda has [illegible] in the US. It has sold its steel foundry [illegible] in Canada and is struggling [illegible] turn [illegible] its loss-making sawmill equipment unit in the US.

The British mining equipment unit is [illegible] tured, while railcar [illegible] is [illegible] with [illegible] North American commodity traffic.

Record year at Deere put down to confidence

By Laurie Morse in [illegible]

Deere and Company, one of the world's largest farm equipment producers, reported record profits for the fourth quarter and the year, saying growing confidence among [illegible] in [illegible] America and in Europe has contributed [illegible] strong sales.

Mr Hans Becherer, Deere chairman, said near-record net farm cash income in the US this year "should provide a solid base for 1995 farm expenditures," and [illegible] the implementation of Nafta and growing incomes in developing countries such as [illegible] and India should promote better export markets for US grains and oilseeds.

As a result, Deere said it would expand its North American production tonnage schedules [illegible] in 1995, with the largest boost planned for the first quarter of next year. At the same time, as part of a continuing restructuring in Europe, overseas production tonnage will decline by about 6 per cent.

Mr Becherer [illegible] that in [illegible] the lower initial level [illegible] production, "overseas operations are expected [illegible] continued improvement".

For the fourth quarter, Deere reported net income [illegible], or [illegible] a share, compared [illegible] income of $93.1m, or $1.20, before special accounting and restructuring charges, in last year's fourth quarter.

Sales in the quarter rose [illegible] per cent to [illegible], from [illegible] $2.2bn. Of that total, $515m was outside North America. For the year, Deere reported net income of $603.6m, or $7.01 a share, up from last year's [illegible], or $3.21, before special charges.

Full-year sales, including Deere's financial [illegible] businesses, were up [illegible] per cent, to [illegible], from last year's $7.75bn. [illegible] of its revenues this year came from outside North America.

Brazil telecoms group on offer

Brazil's Minas Gerais state telecom group Telemig will launch a [illegible] share subscription, the company said in a statement, reports Reuter.

Telemig will offer 1.85bn preferred shares at R$42.56 [illegible]) per lot of 1,000 stocks, it said. The shares were left over from a Telemig 1.88bn pre-[illegible] subscription announced in October.

French bank finds few friends

John Ridding on BCP's tough struggle to steer clear of bankruptcy

For troubled French banks, it helps to be big. While Crédit Lyonnais, the loss-making state-owned bank has received capital injections of more than FFr5bn ($925m) to rescue it from sustained and [illegible], Banque Commercial Privée, a minnow in comparison, has faced a tougher [illegible] in [illegible] battle against bankruptcy.

Since the declaration of a cessation of payments on Monday, the Paris-based bank, which has 1,200 clients, one branch, 50 staff, and which requires an estimated recapitalisation of FFr140m, has presented France's financial community with a test of its ability to revive the smaller players in [illegible].

"It is the first French bank to close its doors since 1992, when Banque Majorel failed," says one French official. He [illegible] that several small banks have been weakened by the impact of recession in 1992 and 1993 and the resulting bankruptcies which have continued to rise, in spite of broader economic recovery this year. "When you are small, you are more vulnerable. It is often harder to find a white knight."

Yesterday, the French banking community moved to reassure BCP's depositors who have had their accounts frozen since November 21. The Association of French Banks said it was invoking its so-called "solidarity mechanism" through which its 428 members provide funds to repay up to FFr400,000 per deposit. This is estimated to involve a [illegible] of about FFr70m.

[illegible] whether the bank [illegible] find relief, however, remains far from clear.

The Commission Bancaire, the regulatory arm of the Bank of France, the country's central bank, has sought to bring [illegible] to bear on BCP's shareholders to come to its rescue. It has done so through the application of article 52-1 of the banking law, a provision which calls on shareholders to provide funds for insolvent financial institutions.

This provision contrasts with article 52-2, under which the whole of the French banking system is called to the rescue of a troubled bank. This provision, last used in 1988 for the rescue of the Al-Saudi bank, is invoked when the image and stability of the French financial system is considered to be jeopardised.

"This is not the case with BCP," says one French banker. "It is not seen as a big risk [illegible] the financial community or a political [illegible] rescue is being sought through a recourse to shareholders." For Mr Jean Varda, appointed as provisional administrator of the bank, it is a vital search. "It is imperative that we find a shareholder of reference to [illegible] liquidity [illegible] survival," he says.

The problem for BCP, however, is that its [illegible] are [illegible] so far unwilling to jump into the breach. GAN, the [illegible] making state-owned insurer, is one [illegible] the [illegible] in UNI, a holding [illegible] which controls [illegible] per cent [illegible] the [illegible] of BCP.

However, it has said that it does not [illegible] responsible for BCP [illegible] increased the plight of the bank by [illegible] interbanking [illegible] through UIC, GAN's banking division.

Macif, the mutual insurance company which holds 14 per [illegible] of BCP, has similarly indicated a reluctance [illegible] advance fresh capital, while UNI itself is thought to [illegible] the funds necessary to shore up the balance sheet.

The irony is that many in the banking community believe that the situation facing BCP is far from terminal. Although it has suffered [illegible] over the past two years, and has been particularly exposed to the impact of recession because of its loans [illegible] the small business sector, the required recapitalisation [illegible] small compared with the bank's assets of about FFr1.7bn.

"It is not in such bad shape," [illegible] one banking source. "Liquidation could be avoided."

Whether it will [illegible] depends partly on a meeting tomorrow of [illegible] Tribunal de Commerce, the capital's [illegible] cial court. The meeting will determine whether to [illegible] the bank or place it under judicial redressment, a procedure [illegible] grants [illegible] appointed [illegible] months to seek a solution for the bank.

For most observers, the latter is the more likely outcome. BCP's [illegible] list [illegible] potential buyers, while [illegible] state shareholder may also exert pressure on the insurance group to provide the necessary funds. For the meantime, however, the bank and its depositors face a nail-biting wait.

French bank failures

Year	Bank	Base	Recovered by creditors (%)
1976	Banque Baud	Evian	60.3
1978	Banque Lacaze	Lourdes	76.0
1979	Banque Hispano Française	Biarritz	50.0
[illegible]	Banque [illegible]	Lille	44.9
[illegible]	Banque [illegible]	Perpignan	[illegible]
[illegible]	Banque [illegible]	Paris	50.0
1980	Banque Phocéenne	Marseilles	60.0
1988	Banque Al-Saudi		
1989	[illegible] Participations et de Placements	Paris	49.0
1989	[illegible] Banking Corp	Paris	38.5
1989	Lebanese Arab Bank	Paris	5.0
1990	Banque [illegible]	Monaco	45.0
[illegible]	[illegible]	Paris	Ongoing
1992	Banque Majorel	Rodez	[illegible]

Fox accuses NBC of hindering expansion

By Tony Jackson in New York

The row between Mr Rupert Murdoch's Fox Television and rival [illegible] network NBC [illegible] yesterday with Fox [illegible] using NBC of trying to suppress competition. NBC had claimed Fox [illegible] regulations by being foreign owned.

In a [illegible] to the Federal Communications Commission (FCC), the regulator, Fox said NBC was trying to preserve the "old boys' club" of the established networks and hinder Fox's expansion.

In a letter to FCC chairman Mr Reed Hundt, Mr Murdoch said NBC was wrong in law in saying foreign ownership in broadcasting companies was flatly [illegible] 25 per cent.

"Rather, [illegible] gave the FCC [illegible] to limit [illegible] ownership [illegible] per cent if, and only if, it finds on a case-by-case basis that the public interest would be served," he said. Instead, the FCC had twice ruled in Fox's favour.

NBC had claimed that control of Fox has passed from Mr Murdoch, who is a US citizen, to his company News Corporation, which is Australian.

Fox argued that its immediate parent, Twentieth Century Holdings, is 76 per cent owned and controlled by Mr Murdoch personally.

News Corporation, which owns the remaining 24 per cent, [illegible] by Mr Murdoch. Fox said, and [illegible] over 60 per [illegible] its sales and profits from the US. In Australia it is regarded as a US company for the purpose of holding broadcast licences.

WMX takes control of Ohio-based group

By Laurie Morse

[illegible] haulor and environmental services company WMX has [illegible] waste clean-up operations by acquiring a controlling interest in an Ohio-based group called OHM Corporation. The deal, an exchange of [illegible], is [illegible] about $75m.

WMX subsidiary Rust International has agreed to swap its hazardous and nuclear waste remediation services business units, including about 900 employees and specialised hazardous waste treatment equipment, to OHM in exchange for 10.4m [illegible] per cent, of OHM [illegible]. The transaction is subject to the approval [illegible] in both companies.

The deal will allow Rust International to focus on its core [illegible] businesses, while giving OHM a [illegible] position among the small group of US companies that specialises in cleaning up big hazardous waste sites under the government-directed Superfund programme.

As part of the transaction, WMX has agreed to provide OHM with low-cost financing for the next five years. OHM last year had net income of $4.4m on sales of $242m.

Mr [illegible] Kirk, OHM chairman, said the deal would "yield a significant improvement in our financial position and enhance our ability to fund our growth with access to lower-cost financing".

After combining [illegible] hazardous waste [illegible] operations, OHM will have about [illegible] employees, a client portfolio evenly divided between public and private sectors and a contract backlog of about $2.1bn.

Final call for Brazilian airline sale

Embraer's sell-off has been much delayed, writes Patrick McCurry

Embraer, Brazil's aircraft manufacturer, finally comes to the São Paulo stock exchange today after a series of delays and a financial restructuring.

The leading manufacturer of regional aircraft, once regarded as one of the country's best-run government enterprises, has been hit by the depressed world aircraft industry, falling orders from the Brazilian air force and government investment restrictions. Over the past four years accumulated losses have risen to about $600m.

The government is selling 6.2m shares, 55.4 per cent of the voting stock, at a reserve price of R$153.7m (US$179.3m). The government holds 87 per cent of the voting capital, which makes up 91 per cent of the total capital.

So-called privatisation currencies – [illegible] government and public sector companies – will be accepted in the auction.

Brazilian pension funds, which hold a [illegible] number of [illegible] securities, are likely to end up controlling the company, according to Embraer's financial director Mr Manoel de Oliveira.

Under the terms of the sale, the purchasers will also have to provide R$30m in cash for a capital [illegible].

Direct competitors of Embraer in the [illegible] industry are prohibited from buying shares, although some foreign [illegible] may take part in the sale via local brokers.

Furthermore, the government is to retain a "golden share", allowing it to veto decisions it regards as against the national interest, such as the transfer of military technology abroad.

The government will continue [illegible] 20 per cent of the voting stock. Employees and the public will be offered 10 per cent each and the government-controlled Banco do Brasil holds [illegible] per cent.

The sale has been postponed [illegible] times because of the company's financial problems; its debts stood at [illegible] $1bn at the end of 1993.

A [illegible] restructuring has been [illegible] following a government capital injection [illegible] with Banco do Brasil and company bondholders, and in September [illegible] a positive net worth – the first time for [illegible] years – of R$411m.

The company, which has 5,600 workers, is based at São José dos Campos, [illegible] São Paulo.

The main aircraft produced are the [illegible] Brasilia, [illegible] which [illegible] have been sold in the US, and the military trainer Tucano, which has [illegible] per cent of the market for training aircraft, according to Mr Oliveira.

The Tucano production line is the only one operating at full capacity, due to an order for 80 aircraft from the French government in 1991.

The company is betting on two projects for future growth: a [illegible] regional jet known as the Embraer [illegible] and the Super Tucano, an updated model of its current training aircraft.

Embraer will be sold jointly with its three subsidiaries: Neiva, which [illegible] small aircraft for agricultural use, and [illegible] trading and maintenance companies in the US and France.

Approach from suitor dismissed by Borden

By Richard Tomkins

The possibility of a bid battle for Borden, the troubled US food group, yesterday appeared to have evaporated following the company's decision to dismiss an approach from Mr Paul Kazarian, a would-be suitor.

Borden, which has already [illegible] by Kohlberg Kravis Roberts, the Wall Street investment firm, said Mr Kazarian's plans were neither [illegible] nor credible, and accused him of publicity-seeking.

It cancelled an invitation to Mr Kazarian to meet representatives of the company at its Manhattan [illegible] and said it had no intention of attending a meeting that Mr Kazarian planned [illegible] in New York's Grand Hyatt Hotel [illegible] yesterday afternoon.

The company's rejection of Mr Kazarian's overture increases the likelihood that shareholders will accept KKR's [illegible] offer, which expires on December 20.

The offer is worth $14.25 a share, payable in RJR Nabisco stock.

Mr Kazarian, a former chairman and chief [illegible] of the Sunbeam-Oster consumer products group, had proposed a complex restructuring of Borden under which he would invest $430m in the company in return for [illegible] per cent of its stock.

He said the transaction would ultimately lift Borden's share price to $17.

Westcoast steps into Australia with BHP link

By Robert Gibbens

Westcoast Energy, an expanding western Canada natural gas producer and owner of a big Ontario distributor, is stepping into the Australian market with Broken Hill Proprietary as partner.

The two companies will jointly study the feasibility of building a [illegible] pipeline to bring gas from Bass Strait to the Melbourne and Sydney areas. Westcoast would supply pipeline construction and operating expertise.

BHP controls large gas [illegible] in the Bass Strait off the [illegible] coast, and its industrial operations are potential [illegible]. The Australian gas market is developing quickly because of environmental concerns about coal.

Profit soars at Malaysian Airlines

By Kieran Cooke in Kuala Lumpur

Malaysian Airlines (MAS) has announced sharply increased pre-tax profits of M$101m (US$40m) for the six months ended September 30. This compares with M$6.4m in the year-ago period.

Turnover rose 15 per cent to M$2.8bn, with the inclusion of an unexplained 33 per cent rise in other income. Analysts attributed some of the improvement in profits to the more effective use of capacity, particularly on international routes.

The airline has also made staff reductions which have improved overall productivity.

Mr Tajudin Ramli, a Malaysian entrepreneur with interests including [illegible]nications and transport, gained control of MAS earlier this year through a controversial, highly-leveraged M$1.79bn deal. Mr Tajudin's listed Malaysian Helicopter Services company now has a controlling 32 per cent stake in MAS.

MAS said overall capacity for the period under review had expanded by 15.7 per cent, and the overall load factor had risen to 64.4 per cent.

"We believe that positive measures taken by the management and staff have to a large extent contributed to the improved half-year results," he said.

"These include aircraft optimisation and efficient redeployment of the company's human resources."

In spite of the improved results, analysts were cautious in their assessment of the performance of MAS. Some said the results were not comprehensive, and there were still doubts about the overall financial health of the airline.

An ambitious expansion programme involving the purchase of 72 aircraft, valued at M$10.6bn, over six years has severely strained financial resources.

There are also doubts about the profitability of some of MAS's recently-inaugurated routes, particularly to Latin America. MAS said it would not be paying any interim dividend.

Iscor and [illegible] link in R3.6bn steel mill venture

By Mark Suzman in Johannesburg

Iscor, the South African iron and steel manufacturer, has announced plans to develop a R3.6bn ($1bn) steel mini-mill at Saldanha Bay on the country's west coast in partnership with the state-run Industrial Development Corporation.

The project has been under investigation for several months, with both Iscor and the IDC undertaking comprehensive feasibility studies. The decision to go ahead is regarded by local analysts as a positive move that should substantially help Iscor's [illegible] profitability.

The proposed mill will comprise a 650,000-tonne-a-year Corex plant, an 800,000-tonne-a-year shaft furnace to manufacture sponge iron, a DC arc furnace, a continuous thin [illegible] caster, a [illegible] furnace [illegible] a hot strip mill. It will produce 1.25m tonnes of hot-rolled coil aimed primarily at the export market.

Mr Hans Smith, Iscor managing director, said the project [illegible] sub[illegible] [illegible] exchange [illegible]ings.

He said it signalled the commitment of both Iscor and the government to promoting the treatment of raw materials before export.

"This is one of the [illegible] industrial projects of recent years and is directed at beneficiating local raw materials for export," Mr Smith said. "It also has significant potential for future expansion and for development of new, [illegible]-related [illegible] in the Saldanha area."

The new mill, which will be constructed under what the company describes as "stringent environmental standards", will support [illegible] 600 permanent jobs and 4,000 temporary places during the construction phase. Production is expected to begin within 36 months of the start of construction.

The [illegible] shortly after Iscor's decision last [illegible] to [illegible] its carbon steel-producing Pretoria Works into a stainless steel plant, at a cost of R100m. That project [illegible] also [illegible] to boost [illegible] [illegible]ings through the sale of new rolled products. Mr Smith estimates sales of [illegible] R2bn a year by the end [illegible] decade.

He said the combination of the Pretoria conversion with the Saldanha Bay project would not alter the company's total volume of carbon steel production.

Upbeat Lion Nathan forecasts record result

By Terry Hall in Wellington

Lion Nathan, the biggest brewer in Australia and New Zealand, has forecast continued profits growth of between 8 and 10 per cent a year.

Mr Douglas Myers, chief executive, yesterday told the annual meeting the company had started the 1994-95 financial year strongly, with profitability in the first quarter substantially above last year. Pre-tax earnings in the financial year to next August 31 would be a record. However, net earnings were expected to be below the NZ$204m (US$123.1m) posted in 1993-94.

He said the economic upswing in Australia had meant a significant strengthening in beer consumption over the past six months. The company's market share had stabilised at 44 per cent.

Mr Myers said that Lion Nathan had caused the most dynamic improvements in Australian brewing in 200 years, in part by forcing new industrial practices. "Once Australian breweries were inefficient and rigid: now they are highly efficient. Our breweries are the most productive in the world, and so flexib[illegible] that most can today brew all our main regional brands."

He found it encouraging that in New Zealand there had been a 1.1 per cent growth in [illegible] overall beer market, and volumes had risen by 1.6 per cent. Lion Nathan was making good progress with its plans to build breweries in the main coastal regions of China.

Bank Tiara seeks to double share capital through issue

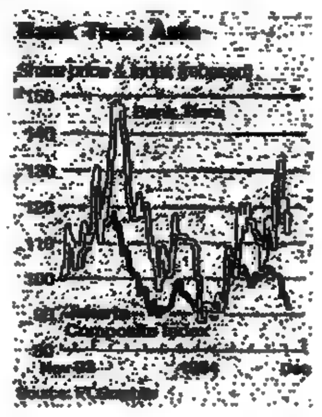
By Peter Montagnon, Asia Editor

Bank Tiara Asia, the rapidly-growing Indonesian bank, is launching a Rp200bn ($91.8m) share issue that will double its share capital. About one third of the issue will be placed internationally later this month under the leadership of Baring Brothers.

The extra funds will g[illegible] [illegible] bank a total capital ratio, under [illegible] Bank [illegible] International [illegible] formula, of more than 30 per cent compared with 14.3 per cent at present.

Mr Tojokro Hartono, director responsible for corporate planning, said the extra capital presented "a tremendous opportunity" for growth in lending to the medium-sized corporate market, in which Bank Tiara specialises.

With gross lending growth approaching 80 per cent, albeit from a small base, Bank Tiara has enjoyed a rising share of



the total Indonesian loan market without sacrificing interest margins. These stand at a relatively high 6 per cent.

The bank, which was founded in 1989, says it is careful to avoid excessive exposure to its principal shareholder, Ometraco, the trading and real estate group. Loans to Ometraco amount to less than 1.2 per cent of total lending and 5.4 per cent of shareholders' funds.

Ometraco's stake in the bank will be reduced to about 44 per cent from about 66 per cent following the share issue. This should enhance the liquidity of the other outstanding shares, most of which are held by international investors.

Mr Hartono said with its strategy of focusing on the middle market, the bank risked restricting growth in fee income, which is mainly gener[illegible] by [illegible] corporations. Also, it had to be careful to ensure that it could attract sufficient deposits [illegible] fund its lending growth.

A plan to establish a finance company in Hong Kong next year would help attract offshore deposits from Indonesian clients, and finance their trade with China. The bank also believed its ability to develop new products for depositors would be enhanced by a planned expansion into insurance.

George Weston under pressure

By Nikki Tait in Sydney

George Weston, the Sydney-based subsidiary of Associated British Foods but quoted separately on the Australian Stock Exchange, yesterday warned that profits would be "at best, relatively flat" in the current financial year.

Mr John Pascoe, chief executive, claimed that pressure on [illegible] remained intense, especially in the core bakeries business, and that the severe drought along the eastern seaboard was compounding problems. However, [illegible] hoped that rising grain costs might eventually lead to greater price stability in the bread market.

[illegible] net profits unchanged last year at around A$52[illegible] (US$40.3m), on sales of A$1.[illegible].

[illegible] company also [illegible] yesterday from small [illegible] over its dividend policy, with representatives of [illegible] Australian Shareholders' Association claiming that minority shareholders were being squeezed and franking credits were going unused.

Mr Ray Wagner, from the ASA, described last year's 16.5-cents-a-share payout as "paltry" when [illegible] profits stood at 14 times the dividend cost. The [illegible], he [illegible], was in a healthy cash situation and could support a more liberal payout policy.

Milestone for Australian investors

The country's first publicly-funded infrastructure project is about to start trading, writes Nikki Tait

If all goes smoothly, [illegible] Australian stock market could pass a milestone during the next few weeks when shares in Hills Motorway, the country's first publicly-listed infrastructure project, start trading.

A public market for infrastructure-related securities is nothing new to investors in the US, who have invested in development projects for decades. In the UK, the concept is also familiar: Eurotunnel, for example, floated seven years ago. In Australia, however, the notion of private infrastructure funding is relatively new, and the launch of the Hills Motorway Trust will be a closely-watched event.

At the centre of this new-found interest is the M2 Motorway, a tranche of four-lane expressway with a two-lane busway and combined bicycle and breakdown lane, to be built on Sydney's North Shore.

It will operate as a toll-road and run for about 20 kilometres. If planners' dreams come to fruition, the M2 will ultimately form part of an orbital ring road around the congested metropolitan area.

The Hills Motorway Trust, which is responsible for financing the project, and the associated Hills Motorway Limited, which will supervise the construction and ongoing operation of the road, were set up by Macquarie Bank, the Sydney-based investment bank. Its consortium won the right to handle the project from the Roads and Transport Authority (RTA) earlier this year.

The project itself is fairly straightforward. Construction of the road, due to be completed in late-1997, will be handled by Abigroup, a local publicly-listed construction group, and Japan's Obayashi Corporation. Subsequent operation and [illegible] of the [illegible] for the next 35 to 45 years will be parcelled out to Abigroup and Transroute, the European motorway operator.

What makes the M2 noteworthy is the structure of the funding. Out of a total project cost of around A$650m (US$500.7m), the Hills consortium is finding approximately A$500m. In casting around for these funds, bankers say they canvassed local institutional investors, and encountered a number of requests, including one for a yield from day one, and a request that there be a public market for the securities.

Partly to meet these requests, the funding was split into three parts: A$111m of term debt; A$200m of inflation-linked, or "CPI", bonds; and A$155m of equity, with sponsors contributing a further A$30m.

The use of CPI bonds was fairly obvious, since increases in the tolls and the main operating costs will also be inflation-linked. [illegible] unusually, by using an internal infrastructure loan which takes advantage of [illegible] introduced by the federal government to encourage capital investments, the project will pay tax-free dividends on the equity units during the three-year construction phase. The yield, at the application price, will be 10 per cent. (Once the motorway is built, [illegible] from the tolls will pro[illegible] [illegible] income stream.)

Potential takers for the equity [illegible] found earlier this [illegible] and the CPI bonds are [illegible]written. Now private investors are being offered the opportunity to subscribe for a small portion of the equity.

The whole process has been not without controversy. On the one hand, environmentalists have objected to another big road cutting through Sydney. Part of the land on which the motorway will be built has also been subject to a native title claim. If this is successful, the RTA could be obliged to pay compensation to the Aboriginal people involved, although the motorway itself should not be affected directly.

On the financial front, Macquarie admits some institutions were reluctant to commit funds. It blamed this partly on scepticism about the traffic projections and partly, perhaps, on unfamiliarity with this type of project. Some of the large life insurance companies were particularly hesitant, it says.

More recently, there has also been dispute with the Australian Stock Exchange over what shares could be made available to the public as part of the listing process. The original plan was for about a quarter of the institutions' holding to be sold on to the public at a premium to the original application price.

However, this would have meant that the remaining shares were subsequently "escrowed" and untradable for a quite a while. In the end, Macquarie gave up 1.326m securities which it would have taken on to its own books. These will be sold to the public at the same A$1 application price which institutions were offered.

An even bigger question is whether this launch heralds a meaningful "infrastructure" sector on the ASX. This seems a strong possibility. Changes to Australia's pension arrangements mean that institutionally-managed superannuation funds are booming. Having come from virtually nothing to A$190bn over the past decade, they are forecast to reach around A$400bn by the year 2000.

Some of the larger fund management groups, moreover, have already earmarked infrastructure investments as an area for attention. Lend Lease, for example, has formed a joint venture with GE Capital to invest is such projects, while the AMP, the big life group, has formalised an infrastructure group within its investment division.

On the other side, state governments, worried about budget deficits, are fairly keen to tap private-sector funds. Indeed, next off the block could be a much larger tollway project – the southern/western bypass around Melbourne.

Treasury prices bolstered by strength of dollar

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices gained across the maturity spectrum yesterday morning, bolstered by the recent strength of the dollar. The currency again rose sharply, then fell off its session highs.

By midday the benchmark 30-year government bond was up ⅞ at 95[illegible] yielding 7.862 per cent. At the short end of the market, the two-year note gained [illegible] to 99[illegible], yielding 7.473 [illegible].

Bonds rose and fell in morning trading on the heels of a rising dollar that bounced up strongly against the Japanese yen and the D-Mark and then fell back somewhat to just below late Monday's prices.

By early afternoon the dollar was at Y100.23 and DM1.5734, down from [illegible] and DM1.5726 late on Monday.

The yield curve slightly reversed its recent flattening as the spread between the yield on the long bond and the two year bond approached 40 basis points, up from 36 points on Monday.

Early in the day, traders speculated that there might be some flight of investment from stocks to bonds after Fidelity Investments announced it would not make a year-end distribution to shareholders in its Magellan Fund – the largest mutual fund in the US – for the first time since 1988.

However, Ms Malin Jennings of the Investment Company Institute said she did not think [illegible] Fidelity announcement would have the broad effect of driving money [illegible] share funds into the bond [illegible].

■ European government bonds weakened again yesterday, with the biggest losses posted among short maturities as European interest-rate futures followed their US counterparts sharply lower.

GOVERNMENT BONDS

The March short sterling future on Liffe fell 0.16 to 92.50; German March euromarks shed 0.08 to 94.49, and the French March Pibor [illegible] on Matif fell 0.18 to 93.92.

While dealers cited no strong reasons for the fall in the French and German interest rate contracts, the drop in short sterling futures reflected mounting fears of an [illegible] rise in UK interest rates.

The fears were fuelled by political worries ahead of the parliamentary vote, [illegible] yesterday, [illegible] the controversial VAT on fuel bill; many traders [illegible] a government defeat could prompt a base rate increase – especially with Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England holding their monthly [illegible] today.

Futures selling [illegible] today's auction of £2bn of 8.5 per cent gilts [illegible] 2005 also weighed on prices. However, while dealers did not report much domestic demand for the paper, they expected some interest in next year's 10-year benchmark from overseas.

■ Irish gilts reversed their recent out-performance of the UK market, dropping by about ⅞ points on the collapse of talks between the Fianna Fáil party and its former Labour coalition partner to form a new government.

The prospect of new elections or a "rainbow coalition" comprising [illegible] parties unsettled the market, but dealers said either outcome would be [illegible], so long as it was announced soon.

"The [illegible] important [illegible] for the bond market is that this issue is resolved as quickly as possible to [illegible] uncertainty," said Mr Oliver Mangan, economist at Davy [illegible] in Dublin.

The government's 6¼ per cent bonds due 2004 fell by 0.80 on the day to 84.00, where they yield 8.55 per cent.

■ The recent improvement in Italian bond market sentiment was [illegible] as bonds tumbled amid political turmoil following the resignation of a leading anti-corruption magistrate.

Before announcing his departure, he rattled the market by recommending a 10-month jail sentence for Mr Umberto Bossi, leader of the Northern League, in connection with unreported funds his party received from an Italian industrial group.

"Events like this are convincing people that it's safest to stay on the sidelines," said Mr Graham McDevitt, bond strategist at Paribas Capital Markets.

Deutsche Bank and Morgan Grenfell in syndicated loan link

By Martin Brice

Deutsche Bank and Morgan Grenfell have joined forces in the syndicated loans market and their first co-arranged loan is a £200m revolving credit facility for [illegible] Co-operative Insurance Society, the UK insurer.

A syndicate of 14 banks has been formed for the five-year loan, the first by the society for four years. It was priced at 22.5 basis points over London interbank offered rate (Libor) and was signed yesterday.

Deutsche Bank, which is AAA rated and has assets of more than DM570bn, recently signalled greater co-operation with its merchant banking sub[illegible]ary Morgan Grenfell, which it bought five [illegible] for £950m.

Mr Rick Abbott of Morgan Grenfell said yesterday: "This is the first of what we hope will be a series of joint syndication activities. The approach we have taken in this case has proved to be effective."

[illegible] Morgan Grenfell and Deutsche already had a relationship with the Co-op, and a banker close to the deal said: "It is the first time that the two houses in London have co-operated together. The combination of Deutsche and Morgan Grenfell coming together was seen as a strength, and brought value to the transaction."

■ ABN Amro and [illegible] arranged a $700m standby loan for Akzo Nobel, the Dutch-[illegible] chemicals group formed this year through the merger of Swed[illegible] Nobel Industries and A[illegible] of the Netherlands. There are 15 banks in the syndicate, all of which already had a relationship with the company.

The seven-year loan is priced at 22.5 basis points over Libor. On the undrawn part of the loan, banks receive a commitment fee of 12 basis points.

Rothschild in Czech move

By Nicholas Denton in Prague

N. M. Rothschild of the UK has [illegible] an investment banking associate company in Prague [illegible] reinforce its presence in eastern Europe.

Rothschild is taking a 40 per cent stake in Consilium, a joint [illegible] with [illegible] Banka, [illegible] foreign trade bank.

[illegible] Rothschild an advantage in seeking the mandate to advise on the Czech bank's privatisation.

Its management is to make a recommendation to [illegible] board on an adviser later this month and an international equity issue is planned for late 1995 or early 1996.

[illegible] new [illegible] broadens a presence which already incl[illegible] a 30 per cent stake in Access, a joint venture in Warsaw, and a fully-fledged office in Moscow.

It has translated privatisation experience gained in the UK into a strong franchise in eastern Europe, where it regularly figures among the winners of privatisation mandates.

With a physical presence in the Czech Republic, Rothschild intends to shift its emphasis from privatisations to domestic mergers and acquisitions, restructurings and equity offerings.

Borrowers launch short-dated deals in variety of currencies

By Graham Bowley

Activity in [illegible] market stepped up dramatically yester[illegible] [illegible] borrowers launched a large number of short-dated deals in a variety of currencies targeted at strong demand from retail investors.

However, the market's main focus of attention remained South Africa's $500m five-year global bond offering, which is expected to be launched imminently [illegible] spread of around 200 basis points over US Treasury bonds.

[illegible] worldwide "roadshow" officially [illegible] yesterday with final meetings with investors. "We are now going through a book-building [illegible], focusing [illegible] attention on a spread in the area of 200 basis points," said a [illegible] official at S[illegible] Bank Corporation, joint lead manager with Goldman Sachs.

Pricing will be crucial to the success of the deal and will set a precedent for the borrowing costs South Africa as a sovereign borrower and South African public and private companies pay in future, dealers said.

However, "people are finding it difficult to make direct com[illegible] [on pricing] with other countries' debt," said one trader. The strongest demand is expected to come from the US, although [illegible] Africa's sub-investment NAIC3 rating there means [illegible] from US insurance companies will be weak, dealers said.

INTERNATIONAL BONDS

The pick-up in activity yesterday was particularly marked in the Luxembourg franc sector, with deals totalling just under LFr10bn. Dealers said this was due to attractive arbitrage opportunities.

[illegible] the Dutch bank, launched [illegible] $200m four-year offering priced to yield 12 basis points over US government bonds. The [illegible] firm demand from retail [illegible] in Belgium and Switzerland and some institutional investors in the Far East, lead manager Daiwa said.

The proceeds were swapped into floating-rate dollars and then into floating-rate guilders, [illegible].

GECC, the financing arm of General Electric, launched [illegible] $200m three-year deal priced [illegible] yield around 13 basis points over US Treasuries led by UBS.

GECC was [illegible] in [illegible] sectors, with [illegible] five-year issue and [illegible] A$100m two-year deal.

Argentaria Global Finance launched [illegible] of [illegible] bonds. The deal was prompted by the successful auction of six-year Japanese government bonds on Monday which set the tone for [illegible] strong JGB mar[illegible] yesterday, lead manager Nikko said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BNG	200	[illegible]	100.18R	[illegible]	[illegible]	+[illegible]	Daiwa Europe
[illegible] Electric Capital Corp.	[illegible]	[illegible]	[illegible]	Dec.1997	0.1875R	+13(7⅞%-97)	[illegible]
[illegible] Corp.(a)§	150	6.00#	[illegible]	Jan.2002	2.25	-	[illegible] Securities
CIC[illegible]‡	100	(b1)	[illegible]	[illegible]	0.25	-	Sanwa International
YEN							
Argentaria Global Finance★	40bn	[illegible]	[illegible]	Jan.2001	0.275R	-	Nikko Europe
STERLING							
Midland Bank‡	100	(c)	[illegible]	Jan.2000	0.15R	-	HSBC Markets
Depfa Bank(f)	100	8.375	[illegible]	Dec.1996	0.15R	-	[illegible]
FRENCH FRANCS							
Argentaria Global Finance	700	7.125	100.00R	Dec.1996	undisd.	+25(8¾%-96)	CCF
ITALIAN LIRE							
European Investment [illegible]	110bn	(d1)	100.20	Dec.1999	0.20	-	CS First Boston
Republic of Austria(e)	[illegible]	[illegible]	[illegible]	[illegible]	1.375	-	Deutsche Bank London
AUSTRALIAN DOLLARS							
General Electric Capital Corp.	100	10.00	101.00	Jan.1997	[illegible]	-	Hambros Bank
New Sth.Wales Treasury Corp.★	[illegible]	[illegible]	[illegible]	[illegible]	1.375	-	Nomura International
HONG KONG DOLLARS							
General Electric Capl.Corp.★	500	8.75#	99.76R	Jan.2000	0.10R	-	Nomura Intl.(Hong Kong)
LUXEMBOURG FRANCS							
Eurofima	2.5bn	8.00	102.05	Jan.2006	1.875	-	Kredietbank Luxembourg
European Investment Bank	2.5bn	7.875	102.00	Jan.2003	1.875	-	BCEE
Oresundsforbindelsen	2bn	8.00	102.40	[illegible]	[illegible]	-	BIL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion price: $30.66. Callable from 16/1/98 at 103% falling 1%pa to par. Overallotment option: $22½m. b) Fungible with $250m. Plus 34 days accrued. Callable & puttable in Aug.[illegible] at par. b1) 3-mth Libor +⅜%. c) 3-mth Libor flat. d) Issue launched on 30/11/94 was increased [illegible] L350bn. d1) 3-mth Libor -25bp. [illegible] Fungible with L200bn. Plus 13 days accrued. [illegible] interpolated yield. § Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	09/04	82.8300	-0.410	10.16	[illegible]	10.71
Belgium		[illegible]	[illegible]	86.7900	[illegible]	[illegible]	[illegible]	[illegible]
Canada *		[illegible]	06/04	84.5100	+0.310	8.86	[illegible]	[illegible]
Denmark		7.000	12/04	88.3000	[illegible]	[illegible]	[illegible]	[illegible]
France	BTAN	8.000	05/98	[illegible]	[illegible]	7.27	[illegible]	[illegible]
	OAT	[illegible]	04/05	[illegible]	-0.270	7.91	7.87	[illegible]
Germany Bund		[illegible]	11/04	[illegible]	-0.200	7.34	7.38	[illegible]
Italy		[illegible]	[illegible]	[illegible]	-0.590	11.71†	[illegible]	[illegible]
Japan	No [illegible]	4.800	06/99	[illegible]	[illegible]	[illegible]	[illegible]	4.10
	No 164	4.100	[illegible]	[illegible]	+0.154	[illegible]	[illegible]	4.74
Netherlands		7.250	10/04	86.5400	-0.060	[illegible]	[illegible]	[illegible]
Spain		10.000	02/05	[illegible]	-	11.50	11.16	11.37
UK Gilts		6.000	08/99	90-11	-10/32	8.54	[illegible]	[illegible]
		6.750	11/04	87-23	-14/32	8.61	[illegible]	[illegible]
		9.000	10/08	[illegible]	-14/32	[illegible]	[illegible]	[illegible]
US Treasury *		7.875	[illegible]	[illegible]	[illegible]	7.77	7.97	[illegible]
		7.500	11/24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU (French Govt)		6.000	[illegible]	85.6200	-0.420	[illegible]	[illegible]	[illegible]

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.65	Two year	7.49
Broker loan rate	6½	Two month	5.65	Three year	7.61
Fed.funds	5¾	Three month	5.95	Five year	7.70
Fed.funds at intervention	-	Six month	6.69	10-year	7.77
		One year	7.04	30-year	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	111.50	111.40	-0.26	111.50	[illegible]	[illegible]	2,447

■ LONG TERM FRENCH BOND OPTIONS (MATIF) [illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100% [illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% [illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100% [illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) [illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE) £50,000 32nds of 100% [illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% [illegible]

Ecu

■ ECU BOND FUTURES (MATIF) [illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% [illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% [illegible]

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Dec 6	Day's change %	[illegible]	[illegible]	xd adj. ytd
1 Up to 5 years (24)	130.12	-0.17	[illegible]	2.45	[illegible]
2 5-15 years (22)	140.31	-0.33	140.78	2.44	11.49
3 Over 15 years (8)	158.74	-0.48	159.66	2.17	12.05
4 Irredeemables (6)	177.91	-0.79	179.23	1.25	13.71
5 All stocks (60)	137.43	[illegible]	[illegible]	2.43	11.11

	Low coupon yield Dec 6	Dec 5	Yr. ago	Medium coupon yield Dec 6	Dec 5	Yr. ago	High coupon yield Dec 6	Dec 5	Yr. ago
5 yrs	[illegible]	[illegible]	5.71	[illegible]	8.50	5.96	[illegible]	8.67	6.07
15 yrs	8.44	8.39	6.62	8.58	8.52	6.74	8.60	[illegible]	6.82
20 yrs	8.40	8.34	6.72	8.58	8.52	[illegible]	[illegible]	8.65	6.84
[illegible]	8.47	[illegible]	[illegible]						

Index-linked — Inflation rate 5% / Inflation 10%

6 Up to 5 years (2)	188.85	-0.06	[illegible]	0.90	[illegible]	Up to 5 yrs	[illegible]	[illegible]	[illegible]	2.84	[illegible]	1.20
7 Over 5 years (11)	[illegible]	[illegible]	174.09	1.36	[illegible]	Over 5 yrs	3.89	[illegible]	3.05	3.71	3.68	2.88
8 All stocks (13)	174.14	-0.24	174.55	1.31	4.41							

Debentures and Loans — 5 year yield / [illegible] year yield / 25 year yield (Dec 6, Dec 5, Yr. ago)

9 Debs & Loans (77)	128.88	-0.35	129.31	[illegible]	10.80	9.53	[illegible]	[illegible]	9.47	[illegible]	7.74	[illegible]	[illegible]	7.88

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 6	Dec 5	Dec 2	Dec 1	Nov 30	Yr ago	High*	Low*
Govt. Secs. (UK)	91.50	[illegible]	92.12	92.33	92.06	105.55	107.04	89.54
Fixed Interest	108.32	[illegible]	108.56	108.36	108.14	128.85	[illegible]	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	[illegible]	[illegible]	[illegible]	Nov 30	[illegible]
Gilt Edged bargains	92.3	100.7	120.8	125.8	144.5
5-day average	[illegible]	127.4	138.4	141.2	[illegible]

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 6

[illegible]

مكذا من الأصل

Shares rise 25p after better than expected interim results

Swedish purchase lifts Charter

By Peggy Hollinger

Shares in Charter jumped yesterday in a falling market, rising 25p to 780p, as the UK industrial group announced better than expected interim operating profits of £28.2m.

The result, which compared with £19.5m last time, was about £5m better than expectations.

The market was particularly impressed with Charter's progress in integrating Esab, the Swedish welding business acquired for £293m in August.

In the six weeks it contributed to these results, Esab returned operating profits of £8.4m. "The assumptions we had made for Esab in 1997 have already been surpassed in this six week period," said one analyst.

Esab was already achieving margins of 11 per cent, with further scope for improvement, analysts said, against expectations of 10 per cent.

Mr Jeffrey Herbert, chief executive said the restructuring of Esab was going well. Charter expected to incur exceptional costs of between £10m and £20m as a result.

The pre-tax line appeared less encouraging, with profits falling by 2 per cent from £31.8m to £30.8m. Sales for the six months to September 30 moved ahead from £288.4m to £358.8m.

Charter said the decline in pre-tax profits was due to a £6.6m drop in interest gains to £2.6m. On a like-for-like basis, pre-tax profits had improved by more than 20 per cent. Interest fell as a result of the buy-back of shares held by Minorco, the off-shore arm of Anglo-American.

The company was restructured last year selling its stake in Johnson Matthey and using part of the proceeds to buy back Minorco's 36 per cent stake. This had left it with a cash pile which helped to fund the Esab purchase.

Excluding Esab, Charter's three divisions of building products, railtrack equipment and coal returned marginally higher operating profits of £19.8m (£19.5m).

Mr Herbert said that he was confident of a further improvement for most businesses in the current year, with the exception of coal. There remained considerable uncertainties given the the privatisation of British Coal in the UK and the competitive environment in the US.

Charter increased its interim dividend from 7p to 7.5p. Earnings per share rose from 18.8p to 23.7p.

● **COMMENT**

These results makes the Esab deal look like a steal. Few suspected that Charter would be able to get margins up to these levels so soon, not even the management. Even better, there appears to be substantial scope for further improvement through brand synergies and rationalisation. Esab is also experiencing recovery in several markets, most notably the US and Pacific, while Europe finally appears to have hit bottom. So much good news might make investors wonder when it will all turn to tears. For the moment however, the Esab story is a tempting one. Forecasts are for profits of about £63m this year, rising to £88m in calendar 1995. The propective p/e for 1995 of about 14 times looks decent value given Esab's potential.

BSS advances to £6.7m midway

By Peter Pearse

Interim profits at BSS Group, the heating, plumbing and process control supplier, grew 33 per cent from £5.07m to £6.74m.

The shares edged ahead 1p to 320p, prompting Mr Peter Cooper, chief executive, to remark that the group's shares were always "slow to respond". However, he said he was pleased with the results.

Turnover in the six months to September 30 rose 13 per cent to £139.7m (£123.3m). Operating profits emerged 27 per [illegible] ahead at £7.11m (5.58m), after a £100,000 charge for the reorganisation of the domestic division.

Mr Cooper said that "at long last", the group had seen a degree of recovery in the industrial and commercial construction industry. He thought [illegible] after "three, though it seems like four, years of recession", this recovery looked set to continue.

"We have seen a 2½ per cent increase in the market as it affects us, as a group," he said, adding that BSS was now being vindicated in its policy of [illegible] reducing [illegible] through the recession.

The industrial and [illegible] cial division, comprising [illegible] and Manor, lifted profits 16 per cent to £7.99m (£6.88m) on turnover up at £84m (£78.5m).

Sales on the [illegible] side expanded 24 per cent to £55.7m (£44.8m) and [illegible] reduced to £31,000 (£567,000). Mr Cooper said the division, which is heavily [illegible] towards the colder second half, was recovering market share.

He reckoned that the whole market had grown 3.7 per cent on last time and that the division's share rose from 10 to 12 per cent. This puts the group second behind Wolseley, which has 27 per cent.

Mr Cooper said BSS now had a base for organic growth over the next two or three years. The new distribution [illegible] was complete and the unification of the whole group onto one computer system was in [illegible].

Earnings were 16.7p (12.3p) per share and the interim dividend is lifted to 6.25p (5.75p).

Sterling Publishing rises 5% to £1.38m

By Geoff Dyer

Sterling Publishing, which specialises in international business reference books and magazines, increased interim pre-tax profits by 5 per cent.

The rise in profits to £1.38m (£1.31m) in the six months to September 30, was achieved on turnover up [illegible] per cent at £24.9m (£17.1m).

Mr Roger Harrison, chairman, said the group's publishing cycle was still heavily biased towards the second half and as profits were only recognised on publication, the first-half results were not a good guide for the rest of the year.

The two international business publishing subsidiaries, Sterling Publications and Cornhill Publications, increased operating profit by 14 per cent and introduced eight new titles.

Fully diluted earnings per share amounted to 2p (1.9p). The interim dividend is increased to 0.75p (0.7p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	[illegible] ponding dividend	Total for year	Total last year
Allied Colloids ....int	0.55	Feb 17	0.5*	-	2.36
Archimedes Inv ....fin	17.5‡	Feb 14	17	26.5	26
BSS ....int	6.25	Jan 24	5.75	-	17.75
Caffyns ....int	5	Jan 13	[illegible]	-	11.5
Charter ....int	7.5	Jan 23	[illegible]	-	22.5
Creighton's ....int	2.2	Feb 11	2.2	-	7.7
East Surrey ....int	5	Jan 31	4.43	-	12.38
Eldridge Pope § ....fin	2.6	Feb 4	2.15	4.1	3.55
Fletcher King ....int	0.5	Mar 1	0.5	-	1.5
Hazlewood Foods ....int	2.4	Jan 31	2.4	-	6.7
London Clubs § ....int	4.25	Jan 31	-	-	-
Midland Elect ....int	9.3	Mar 24	7.65	-	23.2
Morris Ashby § ....int	2.2	Mar [illegible]	2	-	6
North Investors ....int	1.5	Jan 27	1.5	-	5
Powell Duffryn ....int	8	Jan 11	6.6	-	23.6
Shaftesbury ....fin	1	Jan 27	nil	1	nil
Siebe ....int	4.03	Apr 7	3.66	-	11
Stagecoach ....int	1.65	Feb 17	1.5	-	4.1
Sterling Pub § ....int	0.75	May 8	[illegible]	-	3.6
Sturge ....fin	2	Apr [illegible]	2	3	[illegible]
Tams (John) ....int	1.6	Jan 17	[illegible]	-	4.01
Taunton Cider ....int	2.8	Feb 16	2.65	-	6.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ‡Second interim in lieu of final.

Tibbett makes Austrian purchase from Unilever

Tibbett & Britten International, a wholly-owned subsidiary of UK-based distribution group Tibbett & Britten, [illegible] acquire Eskimo-Iglo Tiefkühllogistik (TKL), a distribution and logistics company within Unilever's Austrian frozen foods division.

The deal will be completed on January 1 1995, when an initial [illegible] payment [illegible] Sch100m (£5.9m) will be made from the parent group's existing resources for 70 per cent of the Vienna-based company. A further Sch100m is payable [illegible] the final day of the year.

The remaining 30 per cent of TKL's shares will be acquired by January 1 1997 for a performance-related figure of not more than Sch125m, payable in instalments between 1997 and 2000.

Mr John Harvey, TBI chairman, said: "This acquisition is consistent with our strategy of development within our established business sectors while translating our experience into new markets by working with existing multinational clients."

The acquisition will give Tibbett a long-term contract with Unilever and a well-developed national network.

The deal will also see 500 employees and about 250 refrigerated vehicles transfer to TBI.

Saatchi to launch Zenith giant in the US

By Diane Summers, Marketing Correspondent

Saatchi & Saatchi, the advertising group, is to launch its Zenith media-buying business in the US from next month, it was announced yesterday.

Zenith Media US, with billings of about $2bn (£1.20bn), will be the largest media buyer in the US. It will initially draw its business from Saatchi's three US advertising networks, Saatchi & Saatchi Advertising, Bates USA and Campbell Mithun Esty.

Zenith is well established in Europe and is the top-ranking media-buying business in the UK, where about half its business comes from outside Saatchi-owned agencies. The group hopes to develop similar third-party business in the US.

Clients will be offered research and planning on where to place advertisements, and consultancy on new media technology, said Saatchi. Media-buying specialists can also obtain airtime and space in newspapers and magazines at discount rates due to the volume of their purchases.

Saatchi's move comes at a time when media buying in the US appears to be consolidating. Last month Interpublic, the US advertising group, announced it was to acquire Western International Media, the country's largest independent media-buying company.

Mr Charlie Scott, Saatchi chief executive, said the launch was an important development for the group's US and worldwide clients. "As the media marketplace becomes more complex our clients will make their media spend work hardest for them by using the skills, information sources and buying leverage of a major player like Zenith," he said.

Saatchi said it was also "an important step in the development of the world's first global media buying agency". It would be the only specialist media agency to provide a service to clients in the world's two leading marketing regions of Europe and the US. Zenith is also expected to be launched in China late next year.

Mr Neil Blackley, media analyst with Goldman Sachs, said the Zenith announcement was not expected to affect Saatchi's profits forecasts in the short term. The move would not involve extra expenditure on premises or personnel, because existing resources would be used.

Longer-term success would depend on how much third-party business they could win, he said.

Improved efficiency helps Stagecoach advance 64%

By Simon Davies

Stagecoach Holdings, the UK's largest bus group, yesterday announced a 64 per cent rise in pre-tax profits, with its continuing operations showing a dramatic improvement in operating efficiency.

The profits, which rose from £8.86m [illegible] £14.5m in the six months to October 15, were better than expected. The share price jumped 12p to 227p.

Stagecoach has been expanding aggressively through acquisitions, and boosting the performance of new subsidiaries through bulk buying of buses and components, and streamlining management.

However, during the period, UK operating profits on continuing businesses, excluding acquisitions, came to £11.7m (£8.6m) giving operating margins up from 14.8 per cent to 18.9 per cent.

Acquisitions since April 1993 added a further £5.44m, while there was a £2.77m profit from the overseas operations in Africa, New Zealand and Hong Kong.

Stagecoach is faced with a UK bus market which is shrinking, due to increasing car usage, but the group achieved revenue growth from continuing operations, and total turnover rose from £81m to £126.3m.

The company took £1.57m of redundancy costs in the first half, and reorganisation costs are expected to come to about £3m for the full year.

Stagecoach has so far added about £158m of annual turnover through acquisitions this year. During the first half it spent about £73m in bus companies and £26m on new vehicles.

Net debt amounted to £112m, representing gearing of 157 per cent. Interest costs rose from £1.95m to £2.63m, but were covered 6.5 times, and the company said it would be comfortable with [illegible] below 175 per cent.

The dividend is raised by 10 per [illegible] from [illegible] 1.65p, against a 66 per cent increase in earnings per share to 7.3p (4.4p), reflecting rising capital expenditure on fleet and acquisitions.

● **COMMENT**

The party is almost over for bus operators, as the pace of consolidation within the industry starts to slow, and managements have to focus on squeezing organic growth from a declining market. Stagecoach has always stated that it could substantially improve operating efficiency, and the latest results support its claims. Flex[illegible] pricing, and a [illegible] approach to new routes and bus types, are already paying off. This year's figures will benefit from a full contribution from recent London acquisitions, and pre-tax profits should rise to £31m, representing a p/e of 14.6. The [illegible] year sees the full benefit of recent acquisitions. The shares are at a premium to both stock market and [illegible], but [illegible] management has done everything to deserve it, and the shares should continue to outperform.

Strategy to protect future expansion plans at Sturge

By Ralph Atkins, Insurance Correspondent

Sturge, one of Lloyd's biggest managing agencies, is to set up a new holding company in an attempt to protect future expansion plans [illegible] threatened by [illegible] making members of the insurance market.

The announcement came as the group announced a fall in pre-tax profits, after stripping out lossmaking discontinued operations, to £3.06m in the year to September 30 from £4.42m. Sturge Holdings also includes Wise Speke, the private client stockbroker.

Last month the Sturge Names' Action Group, representing more than 3,000 Lloyd's members, said it would issue writs in January seeking compensation for heavy losses incurred in the early 1990s on Sturge-run insurance syndicates. SNAG [illegible] its claims might eventually total £1bn.

Lord Poole, Sturge's chief executive, said [illegible] would be [illegible] vigorously [illegible] that SNAG [illegible] little chance of winning.

[illegible] said [illegible] holding company could not shield existing businesses from legal action, but Sturge wanted to expand its range of businesses in the financial services sector and the new holding company, Ockham Holdings, would be clearly distanced from the Lloyd's insurance market.

He said any "cunning ruse" to avoid litigation costs would have been stopped by the High Court, which has to approve the transfer of Sturge shareholders' interests into the new company. Separately, Sturge Holdings has increased its provisions against litigation by £700,000 to £5m.

SNAG said it would seek to "thwart any attempt to stop [illegible] of assets that have been purloined from Names".

The annual figures show the heavy cost of Sturge's discontinued members' agencies, which act for individual members, and recorded an operating loss of £2.93m against a loss of £3.28m last time.

The on-going members' agencies business was sold in October for an initial consideration of £500,000. In relation to the disposal, Sturge wrote off £12m in goodwill and made a provision for future losses of £3.78m.

Turnover [illegible] continuing operations fell [illegible] £21.6m (£27.7m). Earnings [illegible] for continuing [illegible] 3.9p (7p). Including discontinued operations, losses per share [illegible] 31.1p [illegible] of 1.5p. The final dividend is maintained at 2p making 3p for the year.

GKN sells 20% of Chep UK

GKN, the automotive products, aerospace [illegible] special vehicles group, is [illegible]ing 20 per cent of Chep UK, its pallet pooling [illegible], to Brambles of Australia for £25m in cash.

The deal, creating a 50/50 joint venture between the two groups, includes a provision for a further payment of £3m depending on Chep's profitability for the two years ending December 31 1996.

Brambles has also agreed to acquire a 20 per cent interest in shareholders' loans made to Chep UK for an estimated £7.2m.

The two groups also agreed that further global expansion would be on a 50/50 basis.

Chep UK, with 14m pallets in circulation, made pre-tax profits of £14.9m in the year to December 31 1993.

● GKN has also sold its equipment rental activities in the US and Australia for £5m, net of costs.

The consideration compares with a book value of £12m and goodwill already written off of £22m. The effect on the group's [illegible] will therefore be an exceptional loss of £29m and a reduction in shareholders' funds of £7m.

The GKN rentals division in the US is being sold to a number of purchasers led by Pro Equipment Rentals, while GKN Australia and its subsidiaries have been sold [illegible] Hire. In [illegible] the [illegible] businesses made losses of £6m.

Problems at four plants, now solved, cost group £7m in first half

Hazlewood halved at £10.7m

By David Blackwell

Problems at four UK plants helped to halve Hazlewood Foods interim profits.

Mr John Simons, the former finance director who took over as UK chief executive in September, said yesterday that the problems had cost the group £7m. However, all four problem areas had now been sorted out.

Pre-tax profits for the six months to October 1 fell from £23.3m to £10.7m, while total sales grew from £403.9m to £426.1m. Excluding exceptionals, profits were £12.1m (£25.6m). Sales from continuing operations were ahead from £390.9m to £414m.

[illegible] group said it had returned two of the problem plants to profit – the Sheffield sausage factory and the Wrexham ready meals plant. The Hilliers plant in Plymouth, which makes chilled pies and quiches, was breaking even at the end of the half following losses which at one time hit £90,000 a week. The salad processor in Waltham Abbey was sold.

"We made a small loss in the first quarter," said Mr Simons. "But we have come back to substantial profitability after taking these actions."

Produce was the only one of the group's eight operating divisions to show an increase in operating profits and margins, making £5m (£3.3m) on sales of £35.4m (£37.8m).

The ready meals division fell into the red to the tune of £1.1m, compared with a profit of £6.3m. The result was hit by the Wrexham plant problems, a depressed ice cream market, and raw [illegible] costs at Fri D'Or, the Dutch potato processor.

The non-food division, which makes nappies and other paper goods, was also hit by by raw material increases which sent it £100,000 into the red (£1.5m profit).

Grocery division profits fell to £1.9m (£4.3m), hit by price rises of up to 50 per cent for soft fruit for jam making, and by a falling market for pickles.

Mr Simons said the group had now tidied up most of the peripheral problems, and had established itself as a strong competitor in the convenient food and ready meal markets. "The team is very confident that this will lead to a better second half performance."

Earnings a share fell from 6.94p to 3.27p. The interim dividend is unchanged at 2.4p.

COMMENT

The past 12[illegible] have [illegible] traumatic for Hazlewood. Its response to mounting problems [illegible] been reasonably rapid, and its has brought in new blood and attacked its cost base. After a great deal of work, the group is climbing out of the hole it dug for itself. But the pressures will continue, not least from raw material price increases, particularly in packaging. The trouble appears to be that the group is a hotch-potch of relatively small businesses, with no critical mass in any single one, although it will argue that 60 per cent of sales now come from the targetted ready meals sector. Profit forecasts for the full year range from £29m to £39m, so it is probably now best considered as a yield stock. An unchanged dividend gives a yield of 8 per cent, which is below that of the similarly struggling Albert Fisher.

Bid rumour boosts Portals shares

Shares in Portals, the security and specialist paper maker, gained 66p to close at 771p following renewed market speculation about a possible bid by De La Rue, the banknote printer, writes Paul Taylor.

The two companies, which broke off earlier merger talks in May when they said they had been "unable to reach agreement on the terms of an offer", issued a joint statement yesterday afternoon in response to the sharp rise.

They said that although they continued to enjoy "an exceptionally close commercial relationship" De La Rue had "no present intention of making an offer for Portals without the recommendation of the Portals board".

However the companies confirmed that, "following on from continued commercial contact between the two companies, De La Rue has recently suggested to Portals that discussions on ways in which their co-operation might be enhanced should include the possibility of De La Rue making an offer for Portals".

It was the sharp rise in Portal's shares in May that prompted the Stock Exchange to propose that trading in companies' shares should be suspended if there was evidence that price-sensitive information concerning those companies has been leaked.

The Stock Exchange scheme, unveiled in October, was the brainchild of Mr Michael Lawrence, the exchange's chief executive, and was prompted by concern to maintain an orderly market and minimise the effects of insider trading on investors' confidence.

Under Mr Lawrence's proposals, investors would be alerted to an exchange probe into a possible leak of price-sensitive information, and warned that they should take care before buying or selling, through a message on the exchange's Seaq trading screen.

Consultations over the proposals have been completed, although the new rules have yet to be implemented.

Nevertheless, the Stock Exchange insisted yesterday that De La Rue and Portals' share prices on the Seaq quotation system were indicative only, pending the joint company announcement.

Prudential in £106m Canadian sale

By Alison Smith

Prudential Corporation, the UK's largest life insurer, is to complete its departure from the Canadian insurance market by selling its life and savings businesses to the Mutual Life Assurance Company of Canada for about C$230m (£106m) in cash.

The move follows disposals of other elements of its Canadian operations and of its Irish subsidiary.

Mr Mick Newmarch, Prudential chief executive, has made it clear that the group intends to concentrate on its preferred markets of the UK, North America and the Far East.

Prudential said yesterday that before the sale, it [illegible] buying back from its Canadian businesses mortgages and bonds worth C$310m (£144m) and other assets worth about C$120m (£56m), which Mutual Life did not want to acquire. These will be sold over the coming months.

The transaction, which is unlikely to be completed before the beginning of March and is subject to regulators' approval, is expected to produce a small profit of between £10m and £20m for Prudential.

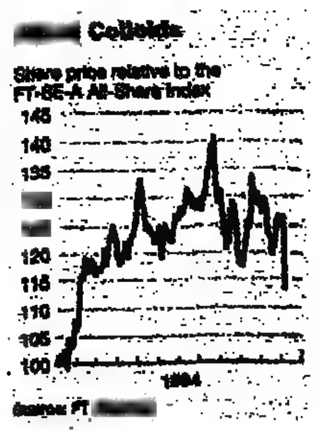
With C$16.6bn assets at the end of last year, Mutual Life is one of the largest Canadian life companies, while the net assets of the businesses Prudential is selling amounted only to C$59m at the same time.

In a generally flat Canadian life insurance market, Prudential's gross premium income last year was C$302m (£154m). Prudential believes that it will be better placed to expand in Canada through Jackson National Life, its US subsidiary, rather than by maintaining a very small presence through other operations.

The Canadian businesses contributed just £5m to Prudential's half-year pre-tax profits of £280m.

Allied Colloids disappoints with 27% rise

By Tim Burt



Shares in Allied Colloids fell 13p to 117p yesterday after its first half results fell short of market expectations, despite a 27 per cent increase in profits.

Pre-tax profits in the six months to October 1 rose from £19m to £24.2m, on turnover ahead 7 per cent at £170.2m (£159.3m) – a slowdown on the 10.8 per cent growth reported in the year to end March.

The company admitted, how[illegible], that half the profits increase was due to favourable exchange rates, with overseas sales accounting for 86 per cent of the total.

Profits were also enhanced by improved cost controls and lower raw material prices, although these have risen sharply in recent months.

Contract prices for acrylonitrile – one of Allied Colloids' main raw materials – have risen from a January low of Dm1,065 per tonne to a high last month of Dm1,830.

Spot prices, meanwhile, have increase from $875 per tonne to $1,220 per tonne over the same period.

Mr Gordon Senior, finance director, said higher raw material price would have an impact in the second half, but claimed the company would be able to pass on most of the increase to customers.

"We expect to recover costs by not only passing on prices but also increasing volume sales and reducing unit costs," he said.

In the first half, sales growth was underpinned by buoyant demand in North America and continental Europe, which rose 10.7 per cent to £57.6m and 7.7 per cent to £57.9m respectively.

Sales in other markets were more modest, with UK turnover rising slightly from £21.6m to £22.7m.

Of the group's core products, only paper products showed any sizeable increase and improvements in pollution control, textiles, mineral processing and coatings remained sluggish.

Nevertheless, the company said its balance sheet was strong and it would continue with capital expenditure on new plant and facilities, which reached a record £22.5m in the first half.

Earnings per share rose 34 per cent from 2.5p to 3.35p, and an interim dividend of 0.55p (0.5p) is declared.

COMMENT

Allied Colloids will need to engineer a strong second half sales performance to recover some of the market confidence lost yesterday. Analysts downgraded their full year forecasts from £56m to £51m and expressed scepticism of improving sales growth as higher raw material prices begin to bite. Some of its rivals, however, would be happy with margins of 14 per cent and Allied Colloids' strong product portfolio. On a forward multiple of 16.5, a 21 per cent premium to the market, the shares may yet fall further. But they remain a safe bet in the medium term.

Metro Radio in talks with Minster Sound

By Raymond Snoddy

[illegible] Radio, the Newcastle-based commercial radio group, is in talks [illegible] acquire Minster Sound, which operates radio stations in York and Scarborough.

Metro, which [illegible] announced a near [illegible] profit to £4.63m in the year to September 30, said yesterday it was in [illegible] with Minster "which may or may not lead to an offer being made for the whole of the issued share capital".

The approach is being judged friendly and a deal seems likely.

The acquisition would fill another gap in Metro's coverage of north-east England. Minster launched on air in York in July 1992. It won an additional broadcasting licence for Scarborough and began broad[illegible] there a year ago.

[illegible] breaking even at the [illegible] in its first full year, Minster made a pre-tax profit of £154,000 on a turnover of £1.2m in the year to [illegible]ber 30.

The [illegible] largest investors in Minster are Radio Investments, which has a portfolio of stakes in commercial radio, and GWR, the Bristol-based radio group.

Minster shareholders were advised to do nothing ahead of a further announcement.

Holmes & Marchant down 39% for year

[illegible] James Whittington

Holmes [illegible] Marchant, [illegible] marketing services company, blamed difficult tradi[illegible] conditions and rationalisat[illegible] costs for a 39 per cent fall in pre-tax profits from £1.25m to £764,000 for the year to September 30.

While the marketing sector as a whole generally picked up during the past year, many of Holmes' clients either cut or deferred expenditure and turnover fell 22 per cent to £25.3m (£32.3m).

Mr John Holmes, chairman and chief executive, said more than £3m of the decline was the result of product launch costs and rationalisation of its consumer advertising agency.

Shares closed 2p down at 33p. . In July, when the company warned of a profits shortfall, shares fell 17p in a day.

Earnings per share fell to 2.5p (4.1p).

Fletcher King falls into the red

Reflecting the "severe downturn in activity in the commercial property market during late spring and summer", Fletcher King, the commercial estate agency, swung into the red in the six months to October 31.

Turnover for the period fell to £1.88m (£2.34m) and the loss before tax amounted to £599,000, against a profit of £74,000.

Losses per share were 6.9p (0.5p earnings), but the interim dividend is held at 0.5p.

Taunton held back by price [illegible]

By David Blackwell

Taunton Cider sales were flat and profits down at the half-way stage, but the group has lifted the dividend as a sign of confidence in the long-term future of the market.

"There is evidence that the worst of the price wars is over," said Mr Nick Pearch, finance director, yesterday.

Shares in the group shed 11p to 143p.

Pre-tax profits for the six months to October 29 fell from £11m to £10.4m on sales of £65.2m (£65.1m). Earnings per share fell from 6.9p to 6.7p, and the interim dividend is lifted from 2.65p to 2.8p.

The UK volume market for cider grew by almost 8 per cent in the first half, and Taunton ¬believes the rate of growth could be accelerating.

The group, which ended the half with £4.5m net cash, said its performance in the take-home sector was ahead of the market. It plans to spend £7m this year on packaging equipment, while a new plastic bottling line has started operating and a new canning line is expected to come on stream in the second half.

Sales of Dry Blackthorn were 10 per cent up and sales of Diamond White, recently launched as a canned drink, grew by 8 per cent. "Our brands are our key strength. They give us grounds for confidence as more and more consumers join the marketplace," Mr Pearch said.

Ross hit with £502,000 debt [illegible] Gemforce folds

By James Whittington

The recent disposal of In-Flight Supply Services (International) by Ross Group, the consumer products and technical services company, has run into difficulties.

The purchaser, Gemforce, a private interest controlled by Mr Ross Marks, a founder and former executive director of Ross, has gone into voluntary liquidation leaving outstanding debts to Ross of more than £500,000.

Ross has had a number of problems in recent years arising mainly from loss-making companies it purchased on a £28m acquisition spree over three years up to 1992.

Yesterday its share price dropped by 1.5p to close at 5.5p.

Gemforce paid an initial £225,000 in cash for In-Flight in October. Further [illegible] to include a yearly £100,000 in royalties for [illegible] years, along with an [illegible] £250,000. Mr Marks was also to assume responsibility for around £350,000 borrowings of In-Flight.

Ross said that discounting the royalty fee, a debt of £502,000 was outstanding from the sale but the company expected some recovery.

Ross reported profits of £15,000 in the six months to June 30.

Creston Land

Creston Land [illegible] Estates, property development and [illegible] company, reported pre-tax losses of £202,000 for the year to June 30, against £642,000 last time. Turnover rose from £6.25m to £6.46m.

These are the first full-year results since the reverse takeover of Creston by Co-ordinated Land and Estates in June 1993.

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COMPANY NEWS: UK

Expansion of ports activities proposed as profits reach £17m

Powell Duffryn calls for £71m

By Roland Adburgham, Wales and West Correspondent

Powell Duffryn is proposing to raise £70.7m net of expenses via a rights issue, to fund the acquisition of the shares it does not own in Teesside Holdings and Humberside Holdings.

The specialist engineering, distribution and storage company said the acquisition would fit in with the corporate strategy of expanding its ports activities.

Teesside Holdings, which owns Tees and Hartlepool Port Authority, is owned by a consortium of Powell Duffryn, 3i Group and Humberside Holdings.

Humberside is owned equally by Powell Duffryn and the family of Mr John Holloway, chief executive of Teesside and a director of Humberside.

The 1-for-4 issue of 16.6m new ordinary shares is priced at 440p and has been underwritten by SG Warburg. The share price yesterday closed 25p down at 517p.

Powell Duffryn is planning a total investment of £98.4m, including an offer of £8.6m for the employees' 5 per cent holding in Teesside.

Mr Bill Andrews, chief executive, said about 350 employees were shareholders and, if they accepted a cash offer of £18.17 a share, the maximum any individual would receive would be about £60,000 before tax.

The group is planning to pay £82.3m for the acquisitions, of which £12m is in the form of loan notes, £7.5m in Powell Duffryn shares and the balance in cash. In addition, the vendors [illegible] Humberside will receive a cash dividend of £7.5m.

The rights issue and acquisitions are subject [illegible] shareholder approval [illegible] an extraordinary general meeting will be held on December 29.

Powell Duffryn said its investment, made in early 1992, had been "extremely successful". Teesside made a pre-tax profit of £13.6m in the year to end-March.

Humberside Holdings, which runs services at east coast ports including Immingham, Hull and Grimsby, made a pre-tax profit of £6.7m in the year to end-March.

Mr David Hubbard, chairman, said pro-forma gearing after the rights issue would be about 30 per cent, which he described as "very comfortable".

The group also announced an advance in pre-tax profits from £10.3m to £17m on turnover up by £8.8m to £354m for the six months to end-September.

The pre-tax outcome, however, included a profit of £2.2m (£5.7m deficit) from discontinued activities.

The interest charge was cut to £1.8m (£2.6m) and earnings came out at 17.8p (8.2p) – or 15p (14.1p) excluding exceptionals. The interim dividend is being raised to 8p (6.6p).

Mr Hubbard said: "With [illegible] exceptions, trading throughout the group continues to show the benefits of the steady improvement now evident in the UK and US economies."

Halifax schedule slips for deal with BNP

By Alison Smith

The schedule for Halifax Building Society to buy the UK mortgage business of Banque Nationale de Paris has slipped by about a month, and the deal is now unlikely to be completed until late January or early February next year.

The total of outstanding mortgages in the BNP business is also slipping and will probably amount to about £1.4bn when the deal is concluded, compared with the £1.5bn it represented when the negotiations were announced in August.

However, this still amounts to almost 0.5 per cent of the total UK mortgage market, where Halifax is already the UK's largest mortgage lender. The society's proposed merger with Leeds Permanent, the UK's fifth largest society, would give it about 20 per cent of the total.

Mr Dick Spelman, marketing general manager at Halifax, said that all the main negotiations had been completed satisfactorily, and the remaining task was to agree the detail of the sale and purchase arrangements.

Kwik-Fit ponders on insurance

By Christopher Price

Kwik-Fit Holdings, the vehicle component group, yesterday confirmed that it was considering entering the car insurance market. The policies would be sold through a direct telephone sales service and underwritten by a number of insurers.

Mr Peter Holmes, sales and marketing director, said: "We are looking at the insurance market as one of a number of options. No formal decision has been taken yet." He added that the group expected to make an official announcement in the new [illegible].

The move into the increasingly crowded market for direct insurance services will add further to the uncertainty currently pervading the insurance business.

The success of Direct Line, the insurance arm of the Royal Bank of Scotland which has taken about a 13 per cent share of the car market, has attracted other entrants, to the detriment of established groups such as the Automobile Association and Swinton Insurance.

Low dividend depresses shares in Midlands Elec

By Peggy Hollinger

Shares in Midlands Electricity slipped 15p to 765p in spite of [illegible] 14 per cent increase in interim [illegible] profits and a 22 per cent rise in the dividend.

The lower than expected dividend increase helped depress the shares; however, the sector was affected by the Tory rebellion over VAT on fuel.

Analysts said Midlands' capacity to increase the payout had been restrained by negotiations with the government over the sale of the National Grid, in which Midlands has a 9.2 per cent stake. "They could not have put in stronger dividend growth while negotiating the issue of customer rebates on the Grid float," said one.

Mr Bryan Townsend, chairman, was guarded about the possible benefit to shareholders and customers of the flotation but said that Midlands would "wherever possible pass the benefits to shareholders".

An announcement on the method of disposal was likely in January, he said. Flotation, expected to value the Grid at more than £4bn, was likely in May or June.

The results overall were at the top end of expectations.

Bryan Townsend: guarded about Grid flotation benefits

Pre-tax profits rose from £89.5m [illegible] £102.4m for [illegible] half-year to September 30 on sales down from £625.5m to £621.6m.

The restructuring of the core business announced in September was progressing well. Midlands expected 500 of the targeted 1,200 job losses to be completed by the end of the year. During the first half, before restructuring benefits, costs had fallen by 3.9 per cent.

A strong distribution performance and higher interest gains helped improve profits. The operating return from distribution rose 15 per cent to £76.1m, owing to strong unit growth and [illegible] control. Industrial and commercial demand showed a 3 per [illegible] increase. Supply profits were steady [illegible] £17.5m, in spite of tougher price controls.

Losses in the non-regulated businesses deepened [illegible] to £2m, after increased development spending [illegible] its power generation projects [illegible] with a competitive [illegible] market.

Earnings were 4p higher at 34.1p and the dividend rises from 7.65p to 9.3p.

● COMMENT

Excluding the effects of the [illegible] share buy-back in October, the underlying increase in the dividend [illegible] disappointing 10 per cent. [illegible] the market should have realised that Midlands, whose chairman is leading negotiations on the Grid float, would find it politically difficult [illegible] unveil [illegible] bigger [illegible] the negotiations [illegible] out [illegible] the [illegible], it [illegible] substantial [illegible] to push dividend growth. Its strong balance [illegible] and high [illegible] give [illegible] plenty of [illegible] for [illegible] are for profits of £210m and [illegible] dividend of 28.3p, giving a yield of 4.6 per cent, [illegible] slight premium to the sector.

NEWS DIGEST

Real Time more than doubled

[illegible] in [illegible] Control, which develops [illegible] supplies epos systems, rose 16p to close [illegible] 179p yesterday, as the company reported interim pre-tax profits more than doubled from £424,000 to £1.05m.

Turnover for the six months to September 30 showed a similar increase, rising from £3.58m to £8.49m. Earnings per share came out at 12p (4.1p).

Mr Byron Carrell, chairman, said the company was well positioned to take advantage of the improving business climate in the UK. He added that, while performance in the second half was unlikely to duplicate that of the first, he was confident the full-year results would show good progress.

Surrey back in black

Surrey Group, the USM-traded licensed bookmaker, returned to the black at the interim stage with pre-tax profits of £45,000. The figure compares with a £57,000 loss last time and a £292,000 deficit at the year-end.

Turnover for the half-year to September 30 was 13 per cent ahead at £23.6m (£20.9m). Earnings per share were 0.02p (0.04p losses). Mr John McNair, chairman, said the benefits from the £2.1m rights issue and placing in July would be felt in the second half.

Shaftesbury jumps

Shaftesbury, the property concern, more than doubled full year pre-tax profits from £1.01m to £2.35m, helped by lower interest [illegible] and an exceptional credit [illegible] £433,000 this time on the termination of an in[illegible] swap [illegible]ment.

Turnover for the year to September 30 [illegible] (£8.86m), while net profits grew to £2.32m (£963,000) after a tax refund of £465,000 [illegible] charge). Earnings [illegible] share were 5.8p (3.5p) and a dividend of 1p has been declared.

The group's investment properties were valued at £77.1m – a net surplus of £4.67m. Shareholders' funds at the year end totalled £48.6m (£41.7m).

E Surrey at £3.42m

Interim pre-tax profits at East Surrey Holdings, the water supply, property and building supplies group, were 10 per [illegible] ahead [illegible] £3.42m, compared with [illegible] time.

Turnover [illegible] the half-year to [illegible] 30 [illegible] 4 [illegible] from [illegible] £13.1m. Earnings [illegible] share came [illegible] 21.9p (21p) and the interim dividend rises to [illegible].

Northern Investors

Northern Investors, [illegible] Newcastle-based venture capital investment trust, reported net asset value per share up 1.3 per cent from 333.6p to 338p over the six months to September 30, compared with a 3.3 per cent fall in the benchmark FT-SE-A All-Share index.

Net revenue for the half year was £118,000 (£104,000) for earnings per share of 3.2p (2.8p). [illegible] interim dividend is unchanged at 1.5p.

Creighton's slips [illegible]

Interim pre-tax profits at Creighton's Naturally, the toiletries and fragrances company, dropped 6 per cent from £819,000 to £773,000, on turnover 3 per cent down from £4.85m to £4.72m.

Operating profits for the half year to September 30 fell from £693,000 to £571,000. Associates contributed £230,000 (£158,000) and net interest payable was reduced to £28,000 (£32,000). Mr Richard Collard, chairman, said the company had "enjoyed mixed fortunes" during the half, with encouraging developments in the domestic market offset by "continuing confusion" in North [illegible].

Earnings per share [illegible] 0.6p [illegible] 11p and [illegible] interim dividend [illegible] 2.2p.

TR Property

[illegible] Properties, [illegible] subsidiary [illegible] TR Property [illegible] Trust specialising in [illegible] retail warehouse sector, has made a series of four property disposals for a total of £12.75m.

In Folkestone, Kent, [illegible] sold [illegible] 40,000 [illegible] ft leasehold store for £3.75m to SI Pension [illegible] and [illegible] adjoining 12,000 sq ft retail [illegible] for £1.4m to Midland Bank Pension Trustees.

In Milton Keynes, Buckinghamshire, Edge sold a 24,000 sq ft three unit retail warehouse scheme to Haymills Property Investments for £4m, while *Haymills also paid £3.6m for a* 35,000 sq ft retail development at Biggleswade, Bedfordshire.

Newport retail deal

Newport Holdings, the prop[illegible] investment company, has bought two retail properties for £1.63m of which £1.3m will be paid in cash and the balance by the issue of shares.

One property, in Gloucester, the principal tenant of which is Grand Metropolitan Restaurants, produces rent of £105,000 a year. The other, in Newquay, has 11 tenancies and produces rent of £55,000 a year.

Acal advances

Strong growth in northern Europe, particularly Germany, helped Acal, the electronics distributor, almost triple interim pre-tax profits. The figures were also boosted by the purchase of 70 per cent of EAF.

On turnover for the period to September 30 up by a third to £50.3m (£37.7m) profits were £3.47m (£1.31m). EAF contributed turnover [illegible] £7.91m and operating profits of £1.25m to a total of £3.77m.

Earnings per share came out at 10.5p (5.3p) and the interim dividend [illegible] being raised [illegible]

FT-SE ACTUARIES INDUSTRY CLASSIFICATION COMMITTEE

The FT-SE Actuaries Industry Classification Committee, at its quarterly meeting on December 5, agreed to make the following changes [illegible] the classification of companies traded on the London Stock Exchange, with effect from January [illegible] 1995:

Company	Current Sub-Sector	[illegible] to [illegible]
Armour Trust	Diversified Industrials (240)	Vehicle Components & Assemblers (270)
Aroma Scan	Instruments, Tools [illegible] Mechanical Handling (269)	Electronic Equipment (253)
Benson Group	Vehicle Components & Assemblers (270)	Engineering, General (285)
Berkeley Business	Office Machinery (255)	Transport (490)
Casket	Distributors, Other (414)	Leisure (422)
Cater Allen	Discount Houses (774)	Banks, Merchant (720)
Chamberlain Phipps	Textiles, Diversified (295)	Footwear & Leather (297)
Clayhithe	Financial, Other (772)	Electronic Equipment (253)
Copyright Promotions	Publishing (436)	Media Agencies (432)
Eclipse Blinds (Formerly Ashley Grp)	Building Materials (222)	Furniture & Furnishings (342)
Ennemix	Other Mineral Extractors [illegible] Mines	Building Materials (222)
Eurodollar Holdings	Vehicle Distributors (413)	Transport (490)
Filtronic Comtek	Telecommunications (660)	Electronic Equipment (253)
First National Finance	Banks (710)	Financials, Other (772)
Games Workshop	Retailers, Chain Stores (454)	Leisure (422)
[illegible] Ltd	[illegible] (125)	[illegible] & Funds (940)
Gerrard [illegible] National Hldgs	Financial, Other (772)	Banks, Merchant (720)
Independent Parts Group	Vehicle Distributors (413)	Vehicle Components & Assemblers (270)
King [illegible] Shaxson	Discount Houses (774)	Banks, Merchant (720)
Magnum [illegible]	[illegible] Equipment (252)	Electronic Equipment (253)
Man, ED [illegible]	Food Manufacturers (330)	Financial, Other (772)
Oxford Molecular	Computer Services (487)	Pharmaceuticals (370)
J Smart	Building & Construction (210)	Property (792)
Stratagem	Financial, Other (772)	Diversified Industrials (240)
Union	Discount Houses (774)	Banks, Merchant (720)

■ The following changes to Industry Sectors in the London Share Service will be made with effect from the edition published on January 4, reflecting the changes to the Classification System previously announced: Printing, Paper [illegible] Packaging changes to Paper, Packaging & Printing; Food Manufacturers changes to Food Producers; Banks changes to Banks, Retail.
In addition, split capital investment trusts will be shown separately, reflecting the different nature of the investment risk from conventional investment trusts. Split capital trusts are defined as "investment trust companies with more than one class of capital, at least two of which are entitled to different proportions of the assets and/or income after meeting the requirements of any other capital classes and borrowings. The company will also have a wind-up date."

COMPANY NEWS: UK

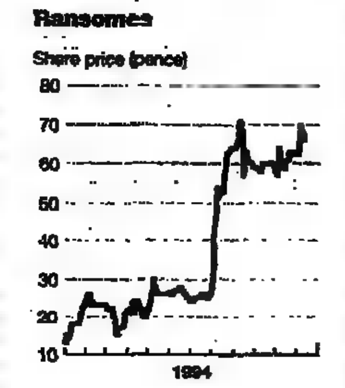
US performance helps lift Ransomes to £6m

By Geoff Dyer

The turnround at Ransomes, the manufacturer of grass-cutting equipment and specialist industrial trucks, continued yesterday with the announcement that it made a pre-tax profit of £6.11m in [illegible] nine months to September 30.

The profits were [illegible] result of cost reductions and [illegible] improved performance in the US and [illegible] after [illegible] made a loss of £8.93m in the [illegible] ended December 31. The group [illegible] changed its reporting period to reflect the seasonality of its business.

Turnover for the nine-month period was £132m (£166m) and earnings per share was 1p against a loss [illegible] 25.9p. Operating profit increased from [illegible] to £14.4m. However, operating profit for [illegible] three months [illegible] September, the slowest period of the year, was £1.87m, [illegible] than [illegible] interest charge [illegible] £2.46m.



There [illegible] no ordinary dividend and the company is still one payment in arrears on the dividends from its preference shares. [illegible] debt fell to £72.8m (£75.3m) giving the group gearing of 509 per cent.

Mr John Clement, chairman, [illegible] "If we can maintain [illegible] period of stability, we can then [illegible] restructuring the balance [illegible]."

The [illegible] made [illegible] of [illegible] on property sales, which [illegible] being used [illegible] changed [illegible] with [illegible] Property Developments for [illegible] sale [illegible] part of the [illegible] park sight.

[illegible] in North America improved [illegible] (£72m), reflecting strong demand [illegible] Cushman trucks and operating profits from the [illegible] division [illegible] to £11.5m (£4.38m).

The consumer division recorded profits of [illegible] (£3.80m) because of poor [illegible] ket conditions and a movement towards the group's lower margin products.

The group hopes [illegible] savings [illegible] $1m [illegible] year from the [illegible] banking arrangements it has agreed with Barclays and [illegible].

Spending increases loss at Bell Cablemedia

By Raymond Snoddy

Bell Cablemedia, now the UK's third largest cable operator, made net losses of £15.7m for the nine months to the end of September, compared with a [illegible] loss last time

The [illegible] deficit reflects [illegible] accelerating pace of investment and development, with capital expenditure for the period increasing from £28m to £53.7m. Equity cable subscriptions were up by 37,835 and equity telephone lines by [illegible].

The equity subscription [illegible]cept is used by the cable industry to aggregate minority stakes in cable franchises so that the equity total reflects 100 per cent ownership.

Operating revenue for the third quarter grew to £5.66m, compared with £1.36m.

[illegible] NASDAQ in New York and plans to seek a London listing, now manages 18 franchises in the UK and has a 30.8 per cent stake in Videotron's 10 franchises.

The company's main shareholders are Bell Canada International, the Canadian telecommunications group, Jones Intercable, the US cable operator and Cable and Wireless, the London based telecommunications company.

Mr Alan [illegible], Bell Cablemedia chief executive, said the results reflected the "heavy [illegible] phase [illegible] currently in". Following the debt and equity fund-raising the company's cash [illegible] was [illegible] at the end of September.

London Clubs at £16.3m as attendance rises 16%

By David [illegible]

[illegible] Clubs International, the London casino operator floated on [illegible] USM in May, declared a maiden interim dividend of 4.25p as profits [illegible] per cent.

The group, which owns the Ritz and [illegible] casinos, [illegible] pre-tax profits for [illegible] six [illegible] September 25 [illegible] from [illegible] to £16.3m. [illegible] by 4.7 [illegible] to £81.7m (£78m).

Pro forma earnings per share [illegible] 16.5p, up [illegible] 16p. Fully diluted earnings [illegible] were 20.2p (29.1p).

The shares, floated at [illegible], [illegible] at 283p, up 3p.

The increase in pre-tax profits reflects sharply lower interest [illegible] of £1.8m, [illegible] from a previous £5.18m, [illegible] ing the flotation, which raised £27.5m net of expenses. [illegible] before interest were lower at £18.1m, compared with [illegible].

Alan Goodenough: a much better balance of business

Mr Alan Goodenough, chief executive, said the fall in profit before interest had been expected, as the previous figure included an exceptional performance at the Ritz. The figures had been flattered by a high incidence of high rollers, and [illegible] group's win percentage was much higher than normal.

"[illegible] are very pleased to have got so close [illegible] the previous figure from a much better [illegible] ance of business," he said.

The Ritz and Les [illegible] deurs – [illegible] up-market operations – contributed 59 per cent of the interim profits, compared with 84 per [illegible].

Following changes in gaming legislation, the group is introducing two new games next year – Super Pan 9 and a variation of stud poker. Mr Goodenough believes the addition to the traditional roulette, [illegible] and Blac[illegible]k will help to [illegible] attendances, which [illegible] cent ahead [illegible].

The group is also extending the casino in Taba, opened in June on the border between Israel [illegible] Egypt, and [illegible] signed a concession for a [illegible] at Hurghada, on the Red Sea coast, to open early next year.

Eldridge Pope ahead 50% despite fall in sales

[illegible] spite [illegible] in turnover from £42.7m to £42.1m, Eldridge Pope, [illegible] USM-quoted [illegible] merchant, reported annual pre-tax profits ahead 50 per cent at £2.64m, against £1.76m.

[illegible] result [illegible] the [illegible] to September 30 [illegible] by lower finance charges of £1.09m (£1.63m) the result [illegible] borrowings [illegible] interest rates.

The fall [illegible] turnover was the result of selling its beer wholesaling [illegible] in July last year.

The Hovetop pubs, acquired in [illegible] summer, contributed operating profits of [illegible]64,000 to a total of £3.85m from turnover of £1.54m.

Earnings per share came out [illegible] 11.6p (8.6p) and the proposed final dividend is raised to 2.6p [illegible] of 4.1p (3.55p).

Rolls-Royce on course to conclude Mercedes deal

By John Griffiths

Rolls-Royce Motor Cars, [illegible] Vickers-owned luxury [illegible] maker, expects [illegible] get of concluding an engine supply deal with [illegible] Benz of Germany before [illegible] end of this year.

Mercedes will supply [illegible] litre V12 [illegible] possibly some other components [illegible] Rolls-Royce under an [illegible] ment now in the final stages of negotiation. "We [illegible] yet that [illegible] deal has been [illegible] and we have made no plans for [illegible] this week," Rolls-Royce [illegible]. "However, talks are [illegible] stage."

The company, [illegible] in Crewe, Cheshire, [illegible] negotiating with Mercedes for nearly a [illegible], although it has [illegible] formally [illegible] Stuttgart concern as the potential supplier of the engine [illegible] replace [illegible] own [illegible] units.

The current engines used in Rolls-Royce [illegible] from [illegible] Crewe-produced unit [illegible] by the company [illegible] updated substantially.

The [illegible] engine, launched in 1991, [illegible] currently produced at a rate of only 3,500 units a year. The potential [illegible] output of [illegible] than 1,500, which [illegible] from supplying Rolls-Royce, [illegible] improve [illegible] substantially.

Merseybus value surges to £10m

By Ian Hamilton Fazey, Northern Correspondent

[illegible] 2,200 bus drivers and mechanics who bought [illegible] lossmaking [illegible] from Merseyside's passenger transport authority for only £1 as part [illegible] privatisation [illegible] now [illegible] £10m.

The latest [illegible] MTL Trust Holdings – known best as Merseybus – by Coopers [illegible] Lybrand puts each share [illegible]. This means the average holding is worth nearly £4,000.

The company – which has since [illegible] Britain's [illegible] bus operator – is [illegible] by its employees. Losses were £8m on annual [illegible] shortly [illegible] sale, [illegible] employees were given 250 shares worth 1p each, plus two [illegible] service.

[illegible] turnround [illegible] annual profits running [illegible] £1m with [illegible] year being spent on new buses. MTL bought London Northern, one of the 10 companies created to privatise London Transport's buses, for £20.5m in October.

Caffyns margins under pressure

A difficult market for new cars in the south east, with margins under pressure, led to a fall [illegible] pre-tax profits of Caffyns, the motor dealer, [illegible] £336,000.

Turnover rose 8 per cent to [illegible] (£74.7m) for the half year to September 30.

Earnings per share fell from 15.8p to 7.2p, but the interim dividend has been held at 6p.

NEWS DIGEST

Morris Ashby rises 30%

A 30 per [illegible] increase in [illegible] pre-tax profits, [illegible] £839,000 to £1.09m, was reported by Morris Ashby, the USM-quoted diecasting [illegible] machining group.

The outcome for the half-[illegible] to September 30 [illegible] on [illegible] up by £2.32m to £13.9m, with the bulk [illegible] the [illegible] coming from [illegible] motor car, [illegible] vehicle and machine [illegible] tors, according to Mr Norman Gardner, chairman.

The domestic appliance [illegible] had been [illegible] only significant downturn, he added.

Earnings came out [illegible] 6.7p (6.3p) per share, and [illegible] interim dividend is raised to 2.2p (2p).

Crossroads Oil

Crossroads Oil, [illegible] USM-quoted oil and gas exploration company, reported pre-tax profits of £1.21m for the year to June 30, against a loss of £1.52m for the previous 18-month period.

Turnover, helped by a £1.48m contribution from the group's recently acquired interest in the Melrose/Crossroads joint venture, improved from £572,123 to £1.71m.

Earnings emerged at 1.62p per share (3.54p losses), and a first and final dividend of 0.2p is proposed for the year. The directors said it was their intention to seek a listing in the course of the current year.

Northamber rises

The recent tentative improvements seen by Northamber, the computer peripherals distributer, accelerated during the six months to October 31 helping it to pre-tax profits of [illegible], against [illegible] £54,000.

Turnover rose 62 per cent to [illegible] (£45.7m) and [illegible] pany has decided to introduce an [illegible] a 0.5p payment [illegible] earnings per [illegible] (losses 0.3p).

Manakin

Manakin Holdings, the investment trust which has been in [illegible] voluntary liquidation since 1991, had a net asset value of 47p per share at October 15, against 82p a year earlier.

[illegible] distributions [illegible] were [illegible] during [illegible] year making [illegible] total returned to date of [illegible]. After-tax loss for the year was [illegible] per share came to 2.7p (2.1p).

Marley US deal

General Shale Products, the US subsidiary of Marley, [illegible] acquired [illegible] concrete [illegible] manufacturing plants [illegible] for $3.8m (£2.31m) in cash.

The acquisitions, Bristol Concrete Products Corpn and Tri-State Concrete Company, [illegible] situated in Bristol, Virginia, [illegible] to two of General Shale's existing concrete block operations.

Chesterfield Props

[illegible] Properties [illegible] acquired [illegible] in Stockton-on-Tees, Cleveland, for an undisclosed sum.

Built in the early 1970s, the Castle centre contains 275,000 sq ft of retail space, a 125 room hotel let to Swallow Hotels and nearly 1,000 car parking spaces. Castle represents 30 per cent of Stockton's total retail floor space and two thirds of [illegible] central area parking.

Wrexham Water

Wrexham [illegible] reported pre-tax profits [illegible] £2.22m for the six months to September 30, [illegible]. Turnover was up from £5.52m to £5.78m.

Earnings per share were [illegible] (12.06p) and the interim dividend is 3.6168p (2.4225p) per ordinary [illegible] 3.5534p (2.3875p) per non-voting ordinary.

Drew Scientific

Drew Scientific, [illegible] medical [illegible] company, incurred a pre-tax deficit [illegible] for [illegible] months [illegible] September 30, against a loss of £811,000 in the [illegible] period.

Last year's losses – whic[illegible] [illegible] £1.49m for [illegible] year – resulted from problem[illegible] with [illegible] testing equipme[illegible] [illegible] led [illegible] the product bei[illegible] temporarily suspended.

[illegible] months amounted to £431,[illegible]

هكذا من الأصل

COMMODITIES AND AGRICULTURE

Inco cautious on 'abnormal' nickel market

By Bernard Simon in Toronto

The unusual factors that have recently thrown the nickel market into turmoil are reason to be cautious on the outlook for nickel [illegible] according [illegible] Inco, the western [illegible] biggest producer.

In a presentation to analysts at the company's head office in Toronto, Inco executives pointed mainly to [illegible] surge in stainless-steel production and the uncertainty of Russian supplies. "It's an abnormal situation," said Mr Michael Sopko, chief executive.

The LME cash nickel [illegible] more than doubled in [illegible] past year to around US$4 a pound. The latest spurt mainly [illegible] uncertainty [illegible] supplies from Norilsk [illegible] Russia, [illegible] producer. The three months delivery position at the London Metal Exchange surged by $1,200 last week and leapt another $637.50 to a 4¼-year high of $9,600 a tonne at one stage on Monday. A reaction then set in, however, and by yesterday's close the price [illegible] back [illegible] tonne.

Inco [illegible] that [illegible] production would decline [illegible] 152,000 [illegible] this year from 182,000 in [illegible] with a further significant drop possible in 1995.

Mr Ivor Kirman, marketing director for Inco Europe, emphasised that accurate information on Norilsk was hard to come by. He said [illegible], that a "significant" portion of [illegible] exports over [illegible] two [illegible] appeared to have come from stockpiles.

Inco [illegible] that world stainless [illegible] production, which accounts for 63 per cent [illegible] nickel consumption, will climb to 13.4m tonnes in 1995, from [illegible] this year. The [illegible] has been especially strong in Japan, [illegible] stain[illegible] output has been running [illegible] record [illegible] in recent months.

The Canadian group, which supplies about a third of the western world's nickel, plans to lift its own output to 430m lb in 1995 from an estimated 345m this year. Production has been dented this year by [illegible] shutdowns, as well as a [illegible] of mishaps at Inco's mines in Ontario and Mani[illegible].

Lure of gold outweighs political risks of Tajikistan

Steve LeVine in Dushanbe and **Kenneth Gooding in London** report on a joint venture using foreign capital in the central Asian republic that is expected to be producing to ten tonnes [illegible] year by 1998

Tajikistan's first gold joint venture using foreign capital hopes to be producing ten tonnes (321.540 troy ounces) a year by 1998, against the country's previous peak gold output of 2.5 tonnes.

Like many other mining projects in the former Soviet Union, this venture involves a [illegible] western [illegible] – British & Commonwealth Minerals. It has 49 per cent and operating control of the joint venture that [illegible] won the rights [illegible] an area in the Central Asian nation's Zeravshan Valley containing two mines, both fully-developed, a treatment plant and proven and probable gold reserves estimated at 16m ounces [illegible] tonnes).

The Tajikistan government, which owns the rest of the joint venture, is contributing the exploration rights [illegible] about [illegible] worth [illegible] infrastructure and mining equipment, much of it new, remaining after the former Soviet Union collapsed [illegible].

European and [illegible] last month provided US$40m towards the venture. This was raised by London broker T. Hoare for Nelson Trade [illegible] Finance, [illegible] Toronto-quoted company that once [illegible] Hollywood movie, [illegible] Weeks. This financing scheme resulted in Nelson, which previously owned 25 per cent of CBM, taking full control. Mr Richard Northcott, chairman of Nelson, said that after costs and payments to the [illegible] of Mr Cameron Glover, who [illegible] up CBM and died recently in an air accident in Argentina, about $30m [illegible] available for the Tajik venture.

Mr Northcott said that, when more equity funding [illegible] needed, Nelson would consider applying [illegible] a London stock exchange quotation.

In the meantime, both the International [illegible] Corporation, [illegible] Bank offshoot, and the European Bank for [illegible] and Development had been approached to provide [illegible] capital.

The joint venture [illegible] likely to [illegible] followed by a spate [illegible] other mineral [illegible] involv[illegible] western companies in [illegible] Asia, [illegible] republics [illegible] to [illegible] well over half the former Soviet Union's minerals wealth. Tajikistan itself not only offers gold but has large deposits of silver, antimony and boron.

Mineral specialists [illegible] a number of questions about working in Central Asia, issues faced by a multitude of western energy groups that have established local offices.

> 'You can cut a deal with this government. Whether they honour it is another question. . . They haven't really been put to the test yet'

The main issue will probably be political risk – will cash-poor nations like Tajikistan ultimately allow their mineral wealth to be exported, and, [illegible] they don't, [illegible] they [illegible] money to develop it themselves?

A second question is whether Russia, which [illegible] been blocking the region from exporting its natural gas and oil, will allow Central Asia to develop [illegible] natural [illegible] independently.

[illegible] officials in Tajiki[illegible] capital, Dushanbe, tend to give the Tajik government the benefit of the doubt, but stress that it is too early to be sure. "You can cut [illegible] deal with this government. Whether they honour it is another question," said one western analyst. "They haven't really been put to the test yet."

Russia's reaction to all the [illegible] activity hasn't been gauged. Yet the deals are piling [illegible], both in Tajikistan and the rest of the region.

Only this week, the UK [illegible]pany Gold [illegible] Minerals Excavation [illegible] a gold exploration deal for Tajikistan's southern [illegible] region. Canada's Gulf Minerals is [illegible] into a [illegible]ings project in the same area, according to Mr Giorgi Kashlakov, a senior economic adviser to [illegible] prime minister. Lonrho, the international mining and trading group, meanwhile, [illegible] losing out [illegible] shan mining project, is consid[illegible] a large antimony-gold deposit in central Tajikistan near Iskanderkul Lake, Mr Kashlakov said.

Outside Tajikistan, CBM itself is negotiating to develop gold deposits in the neighbouring Kyrgyz Republic and Uzbekistan. These are in addition to previous gold [illegible] announced by [illegible] in the Kyrgyz Republic, Newmont [illegible] US in Uzbekistan, and [illegible] venture involving London Stock Exchange-listed Bakyrchik Gold in Kazakhstan.

CBM's success in Tajikistan so far appears attributable to long-cultivated contacts in Tajikistan's extremely complex political sphere. CBM has had an advantage because Mr Richard Wilkins, commercial director [illegible] joint venture company, Zeravshan Gold, has been developing [illegible] relationships [illegible] both sides in Tajikistan's civil war since 1991.

Mr Wilkins is confident that [illegible] political risk for CBM is [illegible] and that the company will be [illegible] either [illegible] ship [illegible] gold to market, or sell it to the Tajikistan government for dollars at world prices.

"My job [illegible] to keep up con[illegible] with the government," Mr Wilkins says. "Even if they overturned the [illegible] ship and brought in the opposition, it wouldn't worry me."

[illegible] expects the joint venture [illegible] produce its first gold from the Jilau [illegible] pit mine where mining and processing is taking place only ten days a month [illegible] of lack of funds. By targetting some high grade ore, Jilau could be producing [illegible] annual rate [illegible] 80,000 to 100,000 ounces by the end of 1995, suggests Mr Roger Turner, chairman of the joint venture company.

More work would [illegible] at the Taror underground mining complex before production could begin in earnest in 1998, particularly on how the ore, which contains substantial quantities of arsenic, should [illegible] treated.

Mr Turner pointed out that environmental clean-up [illegible] not [illegible] problem as the mines and plant were [illegible]. However, the joint venture would have to ensure that the mining town of 2,000 people – with its infrastructure of roads, [illegible] plant, water and [illegible] as well as a school and hospital – was kept supplied. At [illegible]ent there were shortages of some essentials, such as fuel for central heating.

Meanwhile, Tajik Geology has been contracted by CBM to [illegible] $2m of exploration work a [illegible] in the Zeravshan Valley.

Moonstone Group

Mr Yannic Mercier, [illegible] the Moonstone Group, [illegible] asked us [illegible] make it clear that in [illegible] article about his company on December [illegible] his reference [illegible] US$22m of expenditure in the Zhambyl region [illegible] drawn from [illegible] by Mr [illegible] Daukeev, [illegible] for Geology [illegible] Kazakhstan.

MARKET REPORT

Nervousness remains at LME

Base metal trading was quieter at the London Metal [illegible] yesterday afternoon but traders were still nervous of the possibility [illegible] further sharp [illegible].

The recent big [illegible] NICKEL, [illegible] wings clipped by Norilsk, [illegible] big [illegible] producer, saying power problems [illegible] not as [illegible] western [illegible] claimed.

Meanwhile ALUMINIUM traders [illegible] by [illegible] possibility of Monday's [illegible] was switching [illegible] steel can [illegible] in some areas might herald similar sub[illegible] by [illegible] con[illegible].

COPPER's fundamental tightness [illegible] more [illegible] the downward [illegible].

Compiled from Reuters

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	[illegible]	to 1,811,575
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	to 316,400
Lead	-1,725	[illegible]
Nickel	-90	[illegible]
[illegible]	-1,875	[illegible]
Tin	[illegible]	to 29,035

Windwards wary of US banana producer's offer of assistance

By Canute James in Kingston, Jamaica

Chiquita [illegible] International, [illegible] producer [illegible] Latin [illegible] can fruit, [illegible] exporters in the Windward [illegible] with [illegible] shipping and marketing [illegible] their [illegible]. The move [illegible] seen [illegible] an [illegible] rising [illegible] European banana market.

In [illegible] statement issued in Barbados, Chiquita [illegible] with the Windward [illegible] planning to go beyond production of the fruit and to market increasing quantities: "Chiquita hopes [illegible] will have the opportunity [illegible] re-establish [illegible] relationship, [illegible] directly with [illegible] Windward [illegible] banana industry, [illegible] provide the [illegible] returns to growers."

The offer of [illegible] fol[illegible] investigation launched by the [illegible] trade representative into [illegible] European Union's [illegible] import regime, which favours [illegible] producers in [illegible] African, Caribbean and [illegible] (ACP) Group, [illegible] which [illegible] a trade treaty. [illegible] producers, [illegible] by [illegible] US, [illegible] regime [illegible] producers, mainly [illegible] in Latin America.

The investigation was prompted by attacks on the EU regime by Chiquita and the Hawaiian [illegible] Industry [illegible]. The charges have [illegible] by the [illegible] producers.

Chiquita's statement offering to help the [illegible] signed by Mr Nelson Lees, vice president of the company, said it could increase the efficiency [illegible] which [illegible] bananas were produced, shipped, marketed and [illegible] Europe. The company [illegible] provide technical [illegible] industry.

[illegible] 1986 [illegible] quita [illegible] shipped Windward [illegible] bananas [illegible] Italy through an arrangement with [illegible] Industries, which markets [illegible] island group's [illegible], the statement [illegible].

Initial reaction from the Windward [illegible] has been sceptical. "The consistency and vehemence [illegible] the Latin Ameri[illegible] on the Windward [illegible] banana industry, [illegible] by [illegible] company to get the [illegible] trade representative to destroy the industry and [illegible] islands' [illegible]omies, [illegible] provide [illegible] for [illegible] offer seriously," [illegible] St Lucia.

Chiquita claims that Caribbean [illegible] ACP producers has misunderstood its complaint to the US government, which [illegible] in [illegible] gation launched by the US [illegible] representative.

"That [illegible] destroy the banana industry of the Windward Islands [illegible] of the EU or [illegible] producing countries," the [illegible] said. "In fact, Chiquita has invested millions of [illegible] in capital and [illegible] in ACP [illegible] EU countries, and [illegible] like [illegible] more fully participate [illegible] these [illegible]."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	[illegible]	1883-4
Previous	[illegible]	1900-1
High/low	1847	1905/1880
AM Official	1847-8	1872-3
Kerb close		1867-8
Open int.	258,209	
Total daily turnover	53,695	

■ ALUMINIUM ALLOY ([illegible] tonne)

	Cash	3 mths
Close	1820-30	1850-5
Previous	1825-35	1865-8
High/low		[illegible]
AM Official	1815-20	[illegible]
Kerb close		1850-60
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	630-1	646.5-7
Previous	637-8	654-4.5
High/low		648/642
AM Official	628-9	645-5.5
Kerb close		642-3
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8640-50	[illegible]
Previous	8830-40	8960-5
High/low	8830/8620	8925/8825
AM Official	8630-5	8760-5
Kerb close		8770-80
Open int.	66,719	
Total daily turnover	21,902	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5965-75	6055-65
Previous	6090-100	6180-90
High/low		6130/6020
AM Official	5990-5	6080-1
Kerb close		6020-30
Open int.	23,675	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1108.5-9.5	1137-8
Previous	1109-10	1137-8
High/low	1112	1139/1125
AM Official	1112-4	1139-40
Kerb close		1137-8
Open int.	105,347	
Total daily turnover	21,473	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2912-3	2877-8
Previous	2938-40	2900-1
High/low	2933	2905/2875
AM Official	[illegible]	[illegible]
Kerb close		2885-6
Open int.	248,[illegible]	
Total daily turnover	60,1[illegible]	

■ LME AM Official £/$ rate: 1.5643
LME Closing £/$ rate: 1.5616

[illegible] 6 mths:1.5604 9 mths:1.5603

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
[illegible]	135.15	-1.00	[illegible]	134.75	[illegible]	1,194
Jan	[illegible]	-0.95	134.40	133.40	1,481	63
Feb	132.65	-0.15	-	-	[illegible]	136
Mar	131.35	-0.45	132.20	130.30	27,819	8,021
Apr	[illegible]	-0.25	-	-	691	17
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					52,122	10,8[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	376.00-376.40	
Opening	376.30-376.70	
Morning fix	376.55	241.564
Afternoon fix	375.75	240.372
Day's High	377.20-377.60	
Day's Low	375.60-376.00	
Previous close	376.50-376.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	[illegible]	6 months	5.68
2 months	5.05	12 months	6.37
3 months	5.23		

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.50	464.75
3 months	301.80	471.50
6 months	307.00	479.45
1 year	319.00	497.75
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	378-381	243-246
Maple Leaf	[illegible]	-
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Oct	1685	-15	1700	1700	22	2
Total					N/A	308

	[illegible]	[illegible]
BFI	1977	1962

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	73.60	[illegible]	74.10	[illegible]	1,027	118
Dec	71.70	+0.03	72.00	71.20	5,221	284
Total					54,143	7,845

■ ORANGE JUICE NYCE ([illegible] cents/lbs)

Jan	109.20	[illegible]	113.00	[illegible]	11,671	[illegible]
Mar	112.65	[illegible]	112.70	107.50	[illegible]	544
May	115.80	[illegible]	115.80	113.50	[illegible]	8
Jul	118.55	+5.00	[illegible]	[illegible]	1,044	[illegible]
Sep	121.55	+5.00	121.55	121.55	2,098	4
Nov	121.50	+4.95	-	-	1,461	6
Total					25,748	1,581

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	38.250	+0.375	37.[illegible]	[illegible]	8,079	1,805
Mar	38.225	-0.025	[illegible]	[illegible]	[illegible]	267
May	37.525	-0.050	39.150	[illegible]	[illegible]	92
Jul	38.650	+0.250	38.850	38.000	419	79
Aug	37.825	+0.200	38.600	37.700	186	23
Feb	47.700	-	47.700	-	9	1
Total					10,617	2,[illegible]

LONDON TRADED OPTIONS

[illegible] price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	64	[illegible]
1850	99	96	[illegible]	220
1900	76	82	135	[illegible]
■ COPPER (Grade A) LME	[illegible]	[illegible]	Feb	May
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2900	110	96	[illegible]	[illegible]
2950	86	82	[illegible]	157
■ COFFEE LCE	Jan	[illegible]	[illegible]	[illegible]
3000	30	[illegible]	167	297
3050	[illegible]	[illegible]	204	332
3100	26	[illegible]	[illegible]	[illegible]
■ COCOA LCE	[illegible]	May	Mar	[illegible]
900	70	80	28	38
[illegible]	55	[illegible]	38	[illegible]
950	43	64	49	57
■ BRENT CRUDE IPE	Jan	Apr	Jan	Apr
1600	36	[illegible]	16	[illegible]
1650	18	66	43	110
1700	6	36	86	146

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan) +or-

Dubai	$15.30-5.40z	[illegible]
Brent Blend (dated)	$1[illegible]	[illegible]
Brent Blend (Jan)	[illegible]	[illegible]
W.T.I. (1pm est)	[illegible]	+0.11

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[illegible]	
Gas Oil	[illegible]	[illegible]
Heavy Fuel Oil	$92-94	-1.5
[illegible]	$177-179	
Jet fuel	$161-163	+1.5
Diesel	$147-148	+1.0

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	[illegible]	[illegible]
Silver (per troy oz)♣	464.5c	-0.5
Platinum (per troy oz.)	$401.50	+1.25
Palladium (per troy oz.)	$153.25	+1.25
Copper (US prod.)	141.0c	-2.00
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.29r	-0.22
Tin (New York)	2[illegible]	
Cattle (live weight)†	[illegible]	+1.56*
Sheep (live weight)†♣	[illegible]	+9.13*
Pigs (live weight)	[illegible]	[illegible]
Lon. day sugar (raw)	$354.80	+6.60
Lon. day sugar (wte)	[illegible]	[illegible]
Tate [illegible] Lyle export	£342.00	+5.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	+5.0
Wheat (US Dark North)	[illegible]	
Rubber [illegible]	97.00p	
Rubber (Feb)♥	96.00p	
Rubber (KL RSS No1 Jul)	361.5m	[illegible]
Coconut Oil (Phil)§	$695.0y	-10.0
Palm Oil (Malay.)§	$747.5z	-5.0
Copra (Phil)§	$457.0q	
Soyabeans (US)	£167.0v	
Cotton Outlook'A' [illegible]	84.50c	+0.20
Wooltops (64s Super)	464p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day. † - 14/11/94 Corrected figure for WTI $17.90-7.92

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,750-5,850 (5,850-5,950). Bismuth: min. 99.99%, tonne lots 3.55-3.85 (3.60-3.90). Cadmium: m[illegible]5%, 170-180 (180-190) cents [illegible] pound. [illegible] min. 99.99%, [illegible] per [illegible] lb flask, 125-140 (120-140). Molybdenum: drummed molybdic oxide, 11.00-12.00 (9.00-10.00). Selenium: min 99.5%, 3.45-4.60 (3.45-4.65). Tungsten ore: standard min. 65%, $ per tonne [illegible] (10kg) WO_3, cif, 50-60. Vanadium: min. 98%, cif, 2.25-2.50 (1.80-2.00). Uranium: Nuexco exchange value, 7.15 (7.00).

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 6	Dec 5	month ago	year ago
2089.7	2161.4	2110.2	1840.9

■ CRB Futures (Base: [illegible])

Dec 5	Dec 2	month ago	year ago
227.03	227.71	233.01	220.58

JOTTER PAD

CROSSWORD

No.8,630 Set by DANTE

ACROSS

1 [illegible] ing return game (6)
4, 9 Numbers out of order (5,3,6)
10 [illegible] the [illegible] don't allow yourself to do so (8)
12 Idleness in battle (8)
13 Capital resort to give Susan [illegible] break (6)
15 So hard to get round part of London (4)
16 Actually working as [illegible] (2,8)
19 [illegible] the [illegible] of [illegible] contract (10)
20 Fight, possibly rigged [illegible]
23 Boring chaps, but they keep us going (6)
25 Sits reel out, though unwearied (8)
27 Greek coasters in a storm (8)
28 Cold cream (6)
29 [illegible] terrible how Freud [illegible] the lad confused (8)
30 They may turn up trumps sometimes (6)

DOWN

1 Diggers, perhaps, as Susie discovers (7)
2 [illegible] struggles with valiant monstrous beast (9)
3 Very little time (6)
5 Side turning [illegible] was warned about (4)
6 Cast a spell with an appearance on stage (8)
[illegible] Have a collection in a church service (5)
[illegible] Possibly end with a true version, but wholly false (7)
11 Form of elation that may be cut short (7)
14 Wild [illegible] having it turned into foreign currency (7)
17 Fo[illegible] into service – and unlikely to forget it (9)
18 Source of juicy pickings (8)
19 Frustrated, that's [illegible] a mule is (7)
21 [illegible] than one [illegible] the right allotment of shares [illegible]
22 About to take successful [illegible] to recover (6)
24 Cruel misappropriation [illegible] profit (5)
26 Country putting physical education before sport [illegible]

Solution 8,629

GOVERN ORNAMENT · LARYNX BERBERIS · TANGIBLE ASSUME · NICK UNCTION · DILEMMA BEAU · SPOILS INSOLENT · ARMAGNAC VIZIER · LINGERED MASHED

هكذا من الأصل

FINANCIAL TIMES SURVEY

ZIMBABWE

Wednesday December 7 1994

How will these two Harare children benefit from the dawn of the new southern Africa? Tony Andrews

President Robert Mugabe: a capacity to buck conventional wisdom Glyn Genin

Time for Mugabe to show vision

The future for southern Africa has never looked brighter. But whether the country makes the most of the new era depends on the prime minister, writes Michael Holman

Fifteen years after independence, and four years down the road of economic reform, Zimbabwe is poised to take advantage [illegible] the dawn of the new southern Africa.

Democracy in South Africa, multi-party elections in Mozambique, and the recent Angola agreement have changed the face of a region battered by war since the early 1960s. If Angola's ceasefire holds, southern Africa will be at peace for the first time in 30 years.

Never has the future looked brighter for a region whose resources include oil in Angola, the wealth of the Rand, natural gas in Mozambique, plentiful arable land, and long-established stock markets in Johannesburg and Harare.

Whether Zimbabwe makes the most of the new era, however, largely depends on one man – the country's enigmatic leader, Mr Robert Mugabe.

Increasingly aloof, frequently intemperate in response to criticism, and autocratic by nature, he dominates the political scene [illegible] never before.

The structural adjustment programme he reluctantly adopted has gone a long way to change Zimbabwe's economic environment. Trade has been liberalised, most foreign exchange controls have been lifted, and foreign investment opportunities have markedly improved.

But implementation has been erratic, with several issues prompting donor concern, including the budget deficit and the slow pace of privatisation.

Whatever the long-term benefits, cutting state spending and putting state-owned enterprises onto a commercial footing are always painful exercises.

Few observers, therefore, expect Mr Mugabe to tackle these vital issues before the elections, due early next year. Should he fail to act swiftly after the poll, however, donors will begin seriously to doubt the depth of his commitment to market-driven reforms.

Given what seems to be his abiding attachment to socialism, judging by his remarks at the September congress of the ruling Zanu party, it is remarkable that the government has gone as far as it has.

Measured against what should have been done, however, performance has been modest. But government minds may be concentrated by the vision of the new southern Africa in which [illegible] more efficient, competitive Zimbabwe could flourish.

In many respects, the country is well-equipped to meet the challenge. Its infrastructure is sound and its industrial and mining sector second only to South Africa, while labour is considerably cheaper than in its southern neighbour.

Zimbabwe's commercial farming sector has flourished since independence in 1980, and its political stability seems assured.

What is more, Zimbabwe is at the geographical heart of a region which, if its membership of the Preferential Trade Agreement is taken into account, embraces some 250m people, and a total GDP of $155bn.

The problem for Mr Mugabe is tha[illegible] reform to date has not been a vote-winner. Most Zimbabweans' experience has been of considerable pain and little gain.

Although the greatest impact on standards of living has been the 1992 drought, the worst in living memory, structural adjustment tends to get the blame for some grim statistics. Poverty has deepened, infant and maternal mortality are rising, real incomes are lower than at independence, and per capita incomes are not expected to return to pre-structural adjustment levels until the year 2000.

Formal sector employment has risen only by 250,000 since 1979 to 1.24m, yet each year some 250,000 school leavers come on the market. Some find work in the informal sector, others on family smallholdings.

But for the majority of Zimbabwe's young people – more than a fifth of the 11m population are between 16 and 25 – life is tough.

If Mr Mugabe led a vibrant and effective party, prospects for sustained reform would be brighter. As it is, Zanu is corrupt and complacent. Mr Mugabe has surrounded himself with a cabinet that verges on the sycophantic. Much to the dismay of donors and the business community, two key portfolios – finance, and trade and industry – have stand-in ministers, as a result of the illness of Mr Bernard Chidzero, the key figure behind the programme, and the death in a car accident last January of Mr Chris Ushewokunze.

On the face of it, any opposition party worth its salt would be confident of success in the forthcoming poll. It might have to accept the parameters of the structural adjustment programme; but if it stood on a platform of clean, efficient government it should in theory be able to give Mr Mugabe a run for his money.

A succession of scandals over the years has undermined the integrity of the party and government. The exposure of the so-called Willowgate affair in 1989, in which government ministers used their positions to get preferential terms for the purchase of motor vehicles, seems to have little effect on government morality.

The most recent example of abuse of power involved the allocation to ministers and leading party supporters of farms compulsorily purchased by the state, ostensibly for the resettlement of peasant farmers. Although the allocations were eventually rescinded by Mr Mugabe, the affair has done lasting damage to the government's reputation.

At the same time, the opposition could point to the government's increase in military spending at a time when regional tensions have been reducing, while health spending has fallen.

These and other commonly voiced criticisms now overshadow the government's considerable achievements in the early years of independence – notably in the fields of education and health.

Meanwhile, what should be pressing concerns – such as the rapid deterioration of the environment and the impact of Aids – seem to take second place in the ruling party to the Byzantine rivalries within and between the two leading clans of the majority Shona tribe – the Zezuru, of which Mr Mugabe is a member, [illegible]

Zanu's political ally, [illegible] now defunct Zapu party, once its main rival, seems content to play a minor [illegible]

[illegible] if it [illegible] hard to find [illegible] enthusiastic about the government, it is even harder to find anyone who is prepared to back the fractious opposition, led mainly by discredited figures from the past.

Some of the strongest critics of the government, both outside the party and within its ranks, have taken a tactical decision not to join the opposition.

They argue that the Zanu party machinery – subsidised by the state to the tune of Z$30m a year, and backed by the predominantly state-controlled media – is too powerful to oppose.

The answer, they say, is to reform from within. Proponents of this approach are hard-pressed to find any examples of an African government which, without pressure from an opposition party, has voluntarily changed its ways.

The net result is a frustrated, disillusioned and cynical electorate, which displays a marked lack of enthusiasm for the election.

Barely 50 per cent of eligible voters are thought to have registered, and local observers say it would be surprising if more than half of those voted.

Meanwhile, as the election looms, there is a danger that complex issues which require cool heads and carefully worked-out policies – such as the compulsory purchase of white-owned commercial farmland for redistribution to peasant farmers, or the continued white dominance of the economy – will be subject to populist treatment by government politicians.

The latter issue is currently rarely out of the papers, disquieting both the local white business community and potential foreign investors alike.

Some senior businessmen have sought to cool emotions. "Indigenisation is not a plot to deprive established businesses of their assets," says Mr Ariston Chambati, chief executive of TA Holdings, one of Zimbabwe's largest companies and widely tipped for membership of the post-election cabinet. "It is a policy aimed at widening and broadening the economic base through a process of levelling the playing field."

According to Mr Chambati, "economic empowerment of blacks can be justified on moral and socio-economic grounds. It is an important and urgent issue that cannot be left to an evolutionary process that is completely governed by market forces."

However, the government has yet to spell out what form such intervention might take. As with the reform programme, Zimbabwe waits on word from the president.

He could well surprise his critics. No one in Zimbabwe forgets the role Mr Mugabe played in the past, and his capacity to buck conventional wisdom.

To the astonishment – and heartfelt relief – of white Rhodesians the man many of them had vilified as a "communist terrorist" emerged from [illegible] success in [illegible] 1980 independence election as [illegible] compassion[illegible]tist, marking his victory with [illegible] appeal for reconciliation between the races.

[illegible] this [illegible] in the country's development, Mr Mugabe can display the same statesmanship and vision, he may once again make an indelible mark on Zimbabwe.

Tony Hawkins on the disappointing impact of structural adjustment

Sense of drift in economy

As Zimbabwe's first five-year structural adjustment programme nears its end, it [illegible] impossible to escape the sense of drift and vacuum in economic policymaking.

In part, this is a function of [illegible] political cycle, with elections scheduled for March next year, and also of the prolonged illness of Mr Bernard Chidzero, the long-standing finance minister, who did so much to launch the programme.

Political change in South Africa is leaving [illegible] mark as major multinationals ponder restructuring their African operations. There could be far-reaching consequences for [illegible] neighbours, especially Zimbabwe, which is particularly vulnerable to marginalisation.

Nor will it be easy in the run-up to the elections for the politicians [illegible] sell a second instalment [illegible] politically unpopular programme, though another five [illegible] followed almost certainly by a third phase of ESAP (Economic Structural Adjustment Programme) will be needed to finish the job. Above all, structural adjustment in Zimbabwe is being re-examined as non-governmental organisations (NGOs) and politicians criticise the programme's [illegible] alleviate poverty.

Indeed, just about any index shows that poverty has deepened since the programme took [illegible] four [illegible] ago. Real incomes are lower now than at independence 14 [illegible] unemployment has quadrupled and now exceeds 30 per cent, and non-farm real wages are at their lowest level for a quarter of century.

While much of this can be blamed on the 1992 drought, and on a sluggish global economy, many in the NGO constituency, in academia, the trade unions and on the political left, blame ESAP. The programme is flawed: the assumption that manufacturing industry would "lead" economic growth in the 1990s has turned into an angry [illegible] over deindustrialisation. The preoccupation with short-term goals, laying off 25,000 civil servants, ignores the software side of the structural adjustment equation and the country's deteriorating institutional capacity, especially in the public sector.

The neglect of regional issues has now been cruelly exposed by South Africa's return to respectability, as well as [illegible] optimistic projections of macroeconomic targets for exports, growth, inflation and public sector deficit reduction, none of which has been met. The flaws have been compounded by sluggish implementation, especially in the public sector, while institutional reforms are behind schedule.

Deregulation and liberalisation are on, or ahead of, target in respect of prices, labour relations, investment, [illegible] exchange rate and some foreign trade reforms, with quantitative import controls having been abolished and [illegible] current [illegible] payments freed, though dividend remittances for pre-1993 companies are still restricted to 50 per cent of after-tax earnings.

In both the public sector and, especially, manufacturing industry, structural [illegible] has been minimal. Scarcely [illegible] week [illegible] by without fresh calls from industrialists for new export incentives and [illegible] cut in interest rates, while the politicians proffer repeated excuses for their failure to bite the bullet of fiscal reform.

Privatisation, [illegible] central plank of ESAP II, has got no further than the drawing board. The recent decision to shift surplus funds from Noczim, the state monopoly fuel procurement company, to the financially-strapped [illegible] owned cargo airline, Affretair, illustrates the lack both of

The politicians proffer repeated excuses for their failure to bite the bullet of fiscal reform

coherence and transparency in public sector finances.

Under ESAP, the budget deficit should have been reduced to [illegible] per cent of GDP by mid-1995 and although this remains [illegible] target, it [illegible] that Z$1bn of state assets will be sold off by next June, and, more importantly, ignores some Z$2bn of parastatal losses. If these are taken into account, the deficit would rise to over 10 per cent of GDP.

The key to fiscal reform is reduced state spending, [illegible] than [illegible] revenue. [illegible]though personal and corporate tax rates have been cut since 1991, high inflation and fiscal drag have ensured that the tax burden [illegible] to deter initiative [illegible] investment. [illegible] has been achieved on spending, which is down to 40.8 per cent of GDP from 45 per cent at the start of the programme. But the government's reluctance [illegible] military spending – the third largest item in the budget (3.5 per cent [illegible] GDP) [illegible] restructure the parastatal sector to eliminate losses, has plunged Zimbabwe into a classic debt-trap situation.

Public [illegible] debt now exceeds GDP, while interest [illegible] are estimated at 14 per cent of GDP; central government interest payments [illegible] 18 per cent of the budget, second only to education. Without debt reduction and parastatal reform, there is little room for manoeuvre on the fiscal front, other than the cuts in military [illegible] promised [illegible] Mugabe last May, but unlikely to see the light of day until after the elections, if then.

The promised sale of state [illegible], presumably some of government's shares in such companies as Delta Corporation (beverages, retailing and tourism), Astra Corp (former Zimbabwe subsidiary of the South African Barlow group) and Zimbabwe Financial Holdings (one of the top three commercial banks), to fund recurrent spending rather than [illegible] debt underlines the precarious fiscal balance.

The government claims [illegible] have cut [illegible] but only by leaving some Z$2bn of parastatal losses off the [illegible] sheet [illegible] classifying [illegible] other payments to parastatals as loans and investments.

If all [illegible] account, the subsidy bill exceeds Z$3bn or 6.5 per cent of GDP. Clearly there are major savings opportunities here, but only when parastatal reform goes beyond the cosmetics of setting up 100 per cent state-owned companies.

The two major lossmakers are the Grain Marketing Board, partly because [illegible] is required [illegible] stockpile 945,000 tonnes of maize as a food security reserve, and the state-owned steel [illegible] Zisco. Official attitudes towards privatising Zisco are seen in a [illegible] parliamentary [illegible] committee report which, after lambasting [illegible] interference [illegible] mismanagement, calls [illegible] sale of equity in Zisco and the flotation of the company on the [illegible] Stock [illegible].

But Zisco, with over Z$2bn in debt and negative net worth is in no shape for flotation, especially if control is to remain in [illegible].

Meanwhile privatisation [illegible] the sale of state shares in public companies are becoming entangled in the increasingly [illegible] debate over indigenisation. Nearly [illegible] after independence, black business claims that 90 per cent of the economy is still in white and foreign hands. The numbers are spurious given that the state accounts for a third of GDP, but though blacks are increasingly in charge managerially, they have little direct ownership control.

Given the challenges facing Zimbabwe for the rest of the century and beyond, it is [illegible] depressingly [illegible] debate, with vociferous black organisations – the Indigenous Business Development Centre and the Affirmative Action Group – preoccupied with [illegible] ownership of existing [illegible] rather than the [illegible] of new wealth, output, exports and, above all, jobs.

[illegible] government, while happy to champion indigenisation, a surefire votewinner, is doing little to help. When (rather than if) it comes to privatise, it will face intense pressure to sell to black [illegible] and entrepreneurs, most of whom will not have the funds.

Some type of investment trust linked to a more vigorous [illegible] needed to satisfy the business community's aspirations, [illegible] here too there are few signs of vision or leadership. Monetary growth (46 per cent so far this year) fuelled [illegible] offshore [illegible]rowings, capital inflows and the fiscal deficit, is being sterilised by Z$3bn in central bank issues of special and treasury bills. The net result is real interest rates of about 10 per cent and a fall in real private sector borrowing.

It is hardly [illegible] that investment, outside mining and tourism, is [illegible] and that, once again, GDP growth will fall behind target. Exports should surge next year, mainly [illegible] mining [illegible] agriculture, resulting in a further improvement in the balance of payments on current account.

Part of the explanation is limp import demand, itself a [illegible] ment, especially in manufacturing. Official forecasts predict growth of [illegible] per cent since GDP will not regain its 1991 levels until 1996, while per capita incomes will return to pre-ESAP levels only in 2000.

Growth should exceed 5 per cent in 1995 on the strength of the commodity price rebound, expansion in gold mining, firmer tobacco prices and continued recovery in [illegible]ing. But unless the [illegible] get to grips with [illegible] monetary growth, [illegible] rates and inflation – projected to average 24 per cent this year against an ESAP [illegible] 10 per cent – [illegible] response will remain weak.

A sound infrastructure, considerable potential in mining, agriculture and tourism, and a vibrant private [illegible] give Zimbabwe a better chance than most sub-Saharan countries to make a success of structural adjustment. But the 1990s strategies [illegible] to [illegible] global markets, especially in manufacturing, and the commitment and leadership necessary to tackle public sector reform are missing.

In the absence of new [illegible] and a more market-driven culture, reform will be hamstrung by the combination of [illegible] and the ideological baggage of past commitments to "socialist transformation".

KEY FACTS

Area	390,759 sq km
Population	10.6 million
[illegible] of State	President Robert Mugabe
Currency	Zimbabwe dollar (Z$)
Average exchange rate	1992 $1=Z$ 5.098 £1= [illegible]
	1993 [illegible] 6.483 £1= Z$9.723

THE ECONOMY	1992	1993
Total GDP ($m)	4,442.3	4,020.3
Annual average % growth in		
Real GDP (%)	-6.2	2.1
Consumer prices (%)	41.7	28.4
Man. production (%)	-1.7	-3.4
Mining production (%) [1]	-9.2	-8.2
Share price index (%) [2]	-61.6	122.3
Rediscount rate (%) [3]	30.0	28.5
Total external debt ($m)	4,007	n.a.
Debt service ratio (%)	31.9	n.a.
Reserves minus gold ($m)	222.2	432.0
Trade ($m)		
Current account balance	-605.1	-116.1
Merchandise exports	1,527.6	1,609.1
Merchandise imports	1,782.1	1,487.0
Trade balance	-254.5	122.1
Main trading partners (%) [4]	Exports	Imports
South Africa	14.5	33.0
UK	12.1	7.2
US	8.1	4.8
Japan	7.8	4.1
Germany	6.8	4.0
EC	34.3	21.8

(1) Mining production Jan-Nov 94 only
(2) % change in IFC share price index at year end
(3) Rediscount rate at end Q3 1992, and Q4 1993.
(4) Percentage shares of trade in 1993.

Sources: IMF, EIU.

Welcome mat for foreign investors

Zimbabwe's [illegible] to foreign investment has changed markedly since the 1980s, when it was ambivalent at [illegible] and often plain hostile, [illegible] Michael Holman.

But trade liberalisation, the abolition of most foreign exchange controls, the end of all but a handful of price controls, and other reforms have changed the picture. Together with the fact that President Robert Mugabe himself laid out the welcome mat for foreign investors at a London conference earlier this year, the business environment has been transformed.

At its offices in the centre of Harare, officials of the Zimbabwe Investment Centre promise to provide a speedy, and if possible, one-stop service to investors.

Established in 1989 as a department within the ministry of finance, since 1992 the centre has been an autonomous institution, advising on the incentives on offer, ranging from tax breaks to industrial sites on a concessional basis.

Its officials paint a picture of Zimbabwe at the heart of regional groupings which represent a potential market of [illegible] 250m people with a combined GDP [illegible] some $155bn. Labour costs are as much as third below South Africa's, without the powerful trade unions which are so influential there.

The centre promises that projects up to $10m will get its approval within a week, provided there is no potential health or environmental hazard, and its staff will assist the investor to obtain the licences or permits that may be necessary.

Bigger investments will take longer to clear, but the days of red tape and implicit disapproval are over, the centre insists.

Most investors are waiting to see how post-apartheid South Africa will settle down

Unfortunately, Mr Mugabe has not always made their task easy. Recent comments which have disquieted the investment community include his apparent reaffirmation of faith in socialism, made at the mid-year congress of the ruling party, though party officials maintain that he is committed to the economic reform programme.

No less disconcerting to some observers was Mr Mugabe's distinction between "indigenous" businessmen – *ie* white – and "indigenous indigenous" businessmen – *ie* black – made in the course of a discussion on the need to "indigenise" the economy.

What the president has so far failed to spell out is how the government proposes to redress past inequities which have left the minority community in a dominant economic role, while maintaining the confidence of this vital group and not frightening away foreign investment.

Most investors are adopting a wait-and-see attitude, not necessarily because they doubt Mr Mugabe, but because they want to find out how post-apartheid South Africa will settle down.

Since the London conference in May, and until August this year, UK investment flows have totalled a modest Z$101m (around £8m), according to the centre.

The biggest foreign investment, however, is the Z$1.8bn platinum mining project 80km south west of Harare, financed by Delta Gold and BHP Minerals of Australia.

This boost notwithstanding, net foreign investment since independence in 1980 has not reached three figures.

Zimbabwe Investment Centre, Royal Mutual House, 45 Baker Avenue, Box 5950, Harare. Tel (263-4) 759911-6, fax 757937.

Tony Hawkins looks at the banking scene

Fingers point in all directions

Money [illegible] banking in [illegible] are all about finger-pointing. The process starts with the World Bank, pointing a finger at the IMF for insisting on a tight monetary stance resulting in double-digit real interest rates. For its part the Fund blames the banks for [illegible] spreads between deposit and lending rates, estimated at around 10 per cent.

The banks, in turn, blame the Reserve Bank of Zimbabwe for using Z$2bn in special bills and, in October, Z$1bn in Treasury Bills to mop up excess liquidity. The central bank points its finger at the government's fiscal indiscipline, wage inflation and [illegible] currency inflows [illegible] exchange control liberalisation.

Whoever the real culprit, the result is lending rates of 32 to 37 per cent in [illegible] year in which inflation is likely to average 24 per cent. Small wonder, then, that the supply response to economic reform is sluggish, especially in manufacturing; that the real exchange rate appreciated for much of 1994, that the air is thick with warnings of de-industrialisation, while black business complains that the banks are biased against the indigenous business community.

[illegible] RBZ justifies its tight money stance by pointing to the 46 per cent rate of money supply growth so far this year. That, after 15 months of monetary growth in excess of 40 per cent, inflation is not 10 points higher is something of a surprise. Given the liquidity overhang, the authorities' reluc[illegible] with [illegible] is understandable.

Indeed, [illegible] of import [illegible] and of the official exchange rate at a time when the public sector borrowing requirement exceeds 10 per cent of GDP has transformed policy-makers into single club golfers.

With the [illegible] unwilling (or unable) [illegible] fiscal bullet and exchange rate policy no longer an option, monetary policy [illegible] chance saloon. Predictably, this is highly unpopular with [illegible] still [illegible] to

With lending rates of 32-37 per cent when inflation averages 24 per cent, the sluggish response to economic reform is no wonder

throw off the hangover of the 1992 drought. Loosen monetary policy and cut interest rates, [illegible] business, optimistic that this will boost import demand, reverse the foreign currency inflows of the past year and revive consumer spending and a sluggish industrial sector.

But such are the constraints in the economy, especially savings skills, infrastructure and real, as distinct from nominal, industrial capacity, that an expansionist strategy could all too easily end in tears.

This is not the way the script was written; in 1993 inflation more than halved from over 45 to 18.7 per cent, reflecting a 20 per cent fall in the real money supply in 1992 and a further 10 [illegible] in the first half of last year. But then it started to go wrong, with M2 rising 41 per cent in the second half of the year, accelerating to 57 per cent by the third quarter of 1994.

Previously, [illegible] blame for rapid monetary growth could [illegible] laid [illegible] government's door, but the new villain of the piece is currency inflows. In mid-1993, M3 of Z$8.4bn was made up of domestic credit of some Z$12bn, partially offset by negative net foreign assets of Z$3.5bn. By September this year, net domestic credit had risen a mere 12 per cent, declining in real terms, but partial exchange control liberalisation attracted substantial currency inflows, resulting in a build-up of foreign reserves.

Put simply, of total M3 growth of Z$5.1bn, the country's much healthier external position, contributed Z$3.6bn, or 70 [illegible] cent. Government accounted for $1bn (71 per cent) of the increase in domestic credit, with real private sector borrowing down some 25 per cent, underscoring the fragile nature of the recovery [illegible] the impact of high real interest rates.

Finger-pointing aside, no-one seems too sure what to do. One partial solution would be to release blocked funds, e[illegible] mated at [illegible] (includi[illegible] so-called divestment bond[illegible], while simultaneously liberalising dividend payments – most pre-1993 foreign investors may not remit more than half their after-tax earnings – and easing up on personal remittances.

The cynical view is that the market has made it easier for government to overspend and crowd out private sector investment

[illegible] together, these three moves might slow net inflows, but the real challenge is to get investment and imports growing more rapidly rather than build up foreign reserves that must be sterilised with high interest rates which encourage even greater inflows.

Late last month, in an effort to counter the growing pres[illegible] for lower [illegible] Reserve [illegible] trimmed [illegible] rediscount rate by 0.5 per cent to 29.5 per cent and cut [illegible] overnight accommodation rate by three points to 35 per cent, citing slower monetary growth and [illegible] slowdown in inflation. At the same time, it [illegible] provide offshore borrowing facilities to exporters of manufactures for 70 per cent of [illegible] working capital requirements, arguing that this would reduce their borrowing [illegible].

Everyone, including the banks themselves, accepts the inevitability of greater [illegible]tition in financial [illegible] the new financial services bill will level and deregulate the [illegible] field.

Although Zimbabwe has far fewer banks than Kenya or even Zambia – five commercial banks, four merchant banks, five finance houses and three building societies – its capital and money markets are more active than any other in sub-Saharan Africa, except South [illegible]. There is an active money market dominated by three discount houses, with a fourth due to open its doors and, by African standards, [illegible] robust secondary [illegible] in financial instruments, including government paper.

While much is made of the advantages of a sophisticated capital market infrastructure, the [illegible] is that the well-developed institutional market, dominated by the South African-based Old Mutual group, has simply made it easier for the government to overspend, overborrow and crowd out private [illegible] investment, the more so since life insurance [illegible] pension funds are forced to put 55 per cent of their asset portfolios into government or semi-government paper.

The government's enthusi[illegible] for competition in the financial services sector does not yet extend to paying market rates for long-term money. [illegible] drive to open up the market to more competitive banking is [illegible]ngly constrained by demands that black investors have a major stake in new financial institutions.

STOCK EXCHANGE

Privatisation snags

In the 18 months since the *Zimbabwe Stock Exchange* [illegible] opened up to foreign portfolio investment, market capitalisation has quadrupled in local currency terms to Z$16.8bn, more than trebling to US$2bn in hard currency value.

Foreign buyers, with [illegible] purchases of Z$546m since July [illegible], have played only a minor role, with the main impetus coming from the return of [illegible] as the [illegible] recovers from the 1992 drought. After peaking at 2,732 in September 1991, the industrials share price index collapsed to a low of 870 in January 1993. By the time exchange control was liberalised to allow foreign portfolio investors to buy up to 25 per cent of any listed company, with no single investor holding over [illegible] per cent, the index was hovering at the 1,000 mark.

The market surged 55 per [illegible] in the third quarter last year and another 65 per cent in the final three months to reach [illegible]. Strong foreign buying took the market to a new high of 3,832 in March, since when it has settled around the [illegible] level.

The [illegible] among market analysts is that [illegible] price/earnings ratio on Industrials down [illegible] 11.8 in early November from a [illegible] peak of nearly 17, the market is set to break through the 4,000 barrier once [illegible] rates come off the top and the flood of new and rights offers has been digested.

In the closing [illegible] small [illegible] ($3.2m) and rights calls [illegible] another Z$366m ($44m) have eaten into the institutional demand which accounts for *some 80 per cent, by volume, of turnover.*

[illegible] limits [illegible] foreign participation relate only to post-June 1993 purchases, since well over half the 63 listed [illegible] are foreign-controlled. Today, "new" portfolio investors, as distinct from long-standing holders with [illegible] control, account for just [illegible] per cent of the shareholdings.

After two [illegible]rs of minimal primary market activity, more than Z$700m will have been raised this year, including two new listings by Chloride and Eastern Highlands Plantations.

Many in business and the financial sector believe the stock market should be used in the privatisation process and [illegible] contribute towards solving the indigenisation crisis. But advocates of indigenisation have little time [illegible] the exchange – "a white man's [illegible]" is how one dis[illegible] it – demanding [illegible] discrimination [illegible] Malaysian lines whereby companies were forced to [illegible] shares [illegible] Bumiputra individuals and businesses.

With [illegible] Goldfields stars in their eyes, [illegible] market fund [illegible] privatisation as an opportunity for enhanced participation in Zimbabwe. But there are snags: first, with the indigenisation lobby and the official media on its back, the government will find it difficult to sell substantial chunks of "the family silver" to foreigners, especially "[illegible] and run" foreign funds, as one [illegible] calls them.

Perhaps an even greater obstacle is the state of the *parastatal sector balance sheet.* In the past eight years, the main parastatals have run up losses of over Z$5bn and as of March were in debt to the tune of Z$12bn, with annual interest [illegible] of Z$3.5bn. Only a [illegible] of the parastatals are in fit state to be sold, and of these, some [illegible] candidates, such as the telecommunications utility, have been [illegible] contention [illegible] "strategic" grounds though this may well change as World Bank and IMF pressures intensify after next year's elections.

Tony Hawkins

هكذا من الاصل

Loveness Chari beside the dam which Chichero villagers built by hand

Alison Maitland

How drought hit a village

Grassroots are bare

For the economy of Zimbabwe, the drought of 1992, the worst in living memory, was a disaster.

Gross domestic product fell by about 8 per cent as agricultural production was cut by a quarter. Forty per cent of the population required food aid when production of maize, the staple crop, plunged to a quarter of its usual level. Higher imports and lower export earnings pushed the current account deficit up sharply and sent inflation spiralling to a peak of 48 per cent.

For the villagers of Chichevo, in the parched south-eastern district of Chibi, the drought was a catastrophe from which they have yet to recover. They watched as their crops wilted and their oxen died, leaving them with nothing but their bare hands to hoe the unyielding soil.

Reviving Chichevo, and thousands of other smallholdings in the poorest areas of Zimbabwe – Natural Regions 4 and 5 – where 70 per cent of the population lives, will be crucial to the recovery of the whole economy. Agriculture, though accounting for only 14 per cent of GDP, employs nearly three-quarters of the population and contributes up to 45 per cent of exports.

For donor countries, getting aid to smallholders in these vulnerable areas, and making it work effectively, will be one of the biggest challenges they have yet faced.

Chibi district, in the province of Masvingo, is one of the driest areas of the country. Average rainfall is between 30cm and 50cm a year. Smallholders farm just one hectare of land on average, and 58 per cent of the 157,000 farmers are women, the men having sought work in the towns. The drought of 1992 wiped out 70 per cent of the cattle in Chibi, leaving people with nothing to sell to pay school fees and no animals for ploughing.

The village of Chichevo lies about 4km from the main road along a rough track through dry bush. Mrs Pauline Chaumba, 45, suffered a fate typical of the villagers during the drought – all 20 [illegible] her cattle died. But because her husband works as a plumber in the town of Mashava, 120km away, she was not entitled to food aid.

Mrs Chaumba tries to produce enough food for her mother, herself and her seven children from three hectares. Last year, as usual, she did not have any surplus maize to sell, and her only outside income was Z$120 for four tins of peanut butter which she ground from the nuts she grew.

After the drought, Mrs Chaumba burned the cattle shelters for firewood, since she had no further [illegible] them.

Free distribution of seed and fertiliser threatens to conflict with donor attempts to generate self-sufficiency

Yet the village has not given up hope. Under the expert guidance of Mrs Loveness Chari, their local agricultural officer, the 68-strong group of farmers built a 1.5km dam by hand to irrigate their maize and to grow vegetables to [illegible]plement their basic diet. They have laid pipes to carry the water and stocked the lake with fish, with the help of the government agricultural service. All they need is an engine to pump the water to the crops. But it costs too much.

Whether they, and thousands of other smallholders, realise their hopes depends on the government and donor agencies. Such grassroots initiatives are exactly what the United Nations International Fund for Agricultural Development (If[illegible]) [illegible] anxious to encourage and finance in two [illegible] projects covering the dry, low-lying southern regions of Zimbabwe. The fund's mandate is to help the poorest rural smallholders become self-sufficient by supporting projects they have chosen.

But donor agencies face many obstacles. The dry areas have become a government priority only since the drought. The emphasis on economic growth in the 1980s put resources into the more profitable agricultural sectors, and research and training was geared to areas with higher rainfall.

The structural adjustment programme, which coincided painfully with the drought, has cut civil service jobs, and there is only one agricultural extension officer for every 700-800 smallholders. About 70 per cent of the extension service's budget goes on wages, rather than direct help for farmers.

Officially, the government strongly backs Ifad's objectives. "Grassroots involvement is the starting point," says Mr Kumbirai Kangai, the agriculture minister. "You let people tell you how you can assist them."

In practice, encouraged by some donor nations, the government has concentrated on high-profile, large-scale dams which are often costly to maintain and fail to serve smallholders' needs. Mr David Hasluck, director of the mainly white Commercial Farmers' Union, is sceptical about the success of efforts to devolve power. "Don't believe the government thinks the people know what's good for them. The government knows what's good for them. It believed that in 1980, and it [illegible] changed."

Whether aid gets through can depend heavily on political connections. The government's free distribution of seed and fertiliser, a vote-catcher in the run-up to next year's elections, [illegible] to [illegible] [illegible] attempts to generate self-sufficiency.

Given [illegible] constraints, it might seem [illegible] for the UN fund to predict [illegible] south-east dry areas project, due to be approved by its board early next year, will generate increases in maize yields of 50-133 per cent. Mr Edward Heinemann, project controller, admits there are many uncertainties. "But 20 years of experience with these sorts of projects has shown that only by being flexible and involving communities at every step is there any chance of sustainability," he says.

Alison Maitland

■ TOBACCO PRODUCTION

High-quality leaves

After two disastrous seasons in which tobacco prices on the Harare auction floors plunged more than 60 per cent to US124 cents [illegible] kilogram, 1994 was a much better year for the industry than anyone predicted.

In the early 1990s, production took off in response to a short-lived global shortage, with volume jumping 68 per cent between 1989 (130m kg) and 1993 (218m kg). Initially, this was accompanied by rising prices, up from US176 cents a kg in 1989 to a record 325 cents in the boom year of 1991 when the crop was worth $572m, with exports of $532m contributing [illegible] per cent of total foreign earnings.

Farmers raised their plantings but the severe 1992 drought and the subsequent collapse of world tobacco prices in 1992-93 reversed this process. The 1994 crop of 169m kg was 22 per cent lower than last year and the smallest since 1990. Firmer world demand and global production cutbacks boosted prices on the Harare floors which rose 40 per cent to 173 cents a kg, little different from 1989 levels.

Exports fell by a third in [illegible] but have recovered modestly to an estimated US$400m in 1994.

Tobacco: output, exports and prices

Year	Output (kg)	Value (US$m)	Exports (US$m)	Average price (US cents a kg)
1987	128	167	260	125
1988	120	262	279	219
1989	130	203	309	176
1990	134	354	395	265
1991	171	572	532	325
1992	201	320	450	160
1993	218	270	366	124
1994	169	292	400	173
1995*	190	n.a.	n.a.	n.a.

*Forecast. Source: Central Statistical Office, Harare

Tobacco is the country's largest export, accounting [illegible] an estimated 22 per cent of the total.

While the 1991 euphoria has disappeared, the industry is mildly optimistic about future prospects. The world tobacco market is [illegible] [illegible] two – with the low-v[illegible] low-quality segment dominated by Asian producers, especially China, while the US, Brazil and Zimbabwe are the lead players in the flavour, high-quality leaf sector. Here demand and supply are in rough balance, subject to planned sell-off of the US stabilisation stockpile currently being negotiated.

Expansion led to lower prices and showed that the industry's future lies in niche production

Zimbabwe producers are optimistic about [illegible] growth – 5 per cent annually – in the second half of the decade, tar[illegible] planned increases in [illegible]te production in Eastern Europe and possibly also China. The Zimbabwe Tobacco Association, which represents some 1,650 large-scale growers producing over 95 per cent of the crop, has recommended a maximum 7.5 per cent increase in p[illegible]ing this season.

Given the poor and late start to the rains, growers say crop could exceed 190m kg this year – dry seasons result in larger, though lower quality, production. Expansion, culminating in lower prices, during the 1990-93 period was a reminder that Zimbabwe's future lies in niche production. Industry experts urge growers to focus on quality rather than volume, since Zimbabwe cannot outcompete low-cost producers in Brazil and Asia, especially China.

Tony Hawkins

New lease of life for mines

After a decade in the doldrums, mining is set to play a substantially greater role in export and output growth than in the past 25 years, writes Tony Hawkins.

Output volumes have barely changed since 1980. Chrome ore production has halved, copper volumes are down 70 per cent, asbestos down 38 per cent, tin down 30 per cent and nickel down 20 per cent. Only coal, up 68 [illegible] cent, and gold, up 62 per [illegible], have bucked the trend to the point where gold now accounts for some 45 per cent of total value. With ferrochrome output rising as world demand recovers and the impact of Russian exports is digested, and with gold production maintaining its uptrend, production volumes should regain their peak levels of the mid-1970s by 1996.

Significant new capacity will come on stream in 1996-97 with the $225m Hartley Platinum mine being developed by BHP and Delta Gold of Australia, the development of a number of small and medium-scale diamond properties, a new copper mine [illegible] very likely, a [illegible] major platinum producer, the Mimosa, currently being investigated by the new owners of Zimasco, one of the country's two large-scale ferrochrome manufacturers.

Further down the line are two major methane gas projects and the possible expansion of nickel production. All of this [illegible] the view that resource-intensive, primary sector development is more likely to spearhead export growth in the late 1990s than labour-intensive manufactures.

■ INDUSTRIAL PRODUCTION

How country is held back

Manufacturing, [illegible] in the original [illegible]nomic Structural Adjustment Programme document as the flagship of structural adjustment, is struggling to come to terms with the new global and regional order as well as policy reform at home.

Far from growing at 5.8 per cent a year since 1990 as projected, industrial production is currently running at pre-reform (1989) levels, 9 per cent below its pre-drought peak reached in 1991, and on current trends will break new ground only towards the end of 1995.

Even that four-year standstill assessment is regarded as unduly optimistic by some manufacturers. August's Business Tendency Survey by the Central Statistical Office found that 82 per cent of manufacturing firms were operating below capacity, order books had shortened with weak demand both in domestic and export markets, and investment intentions and employment had fallen.

Manufacturers, especially those in clothing and textiles, warn that the country is being deindustrialised because of excessively high interest rates, the abolition of the 9 per cent export incentive at the end of 1993 and trade liberalisation leading to "dumping" by Asian and South African suppliers.

The World Bank is more optimistic, arguing that if 10 per cent annual export growth could [illegible] [illegible]eved, [illegible]ing would resume the lead role it played during the sanctions period, expanding at 6 to 7 per cent annually. There are two main snags in this scenario: a quarter of a century of self-sufficiency led to Zimbabwe being [illegible] low-income country [illegible] world, [illegible] China, [illegible] manufacturing accounting [illegible] per [illegible] scope [illegible] push this [illegible] 30 [illegible] and beyond in a $5bn [illegible] and with some [illegible]ufacturing activities already being relocated in [illegible] Africa, with [illegible] $120bn market, is questionable.

The [illegible] potential pitfall is [illegible] Bank's [illegible] modern manufacturing. [illegible] that comparative advantage [illegible] driven by [illegible] endowment (low [illegible] labour) and price, while quality, design, style, and delivery play little part. The [illegible] and [illegible] economies, experience effects, the cross-border vertical integration of manufacturing [illegible] and, [illegible] all, [illegible] regional factor, are under[illegible]. [illegible] increasingly, [illegible] will determine whether 10 per [illegible] growth in manufactured [illegible] the cards.

If semi-processed [illegible] – [illegible] and [illegible] lint – are excluded, manufactured exports have a volatile track record, contracting in the first half of the 1980s, before surg[illegible] per [illegible] in [illegible] years. In [illegible] of ESAP, manufactures accounted for a quarter of merchandise exports, with clothing and textiles the largest group worth $68m. Since 1989 only clothing and textiles have performed, increasing 80 per cent to $122m last year, with the remainder static at $340m.

The rapid export growth necessary for the revival of industry's fortunes depends not just on changes to the ruling tax and protection regimes, on [illegible] topic [illegible] receiving [illegible] of good [illegible] from the Bank, UNDP and other consultants, but also on a [illegible] in industry's [illegible] and corporate [illegible]. A UNDP study finds [illegible] while [illegible] protection [illegible] (ERPs) in manufacturing are not high in relation to some countries, levels of more than 50 per cent [illegible] high.

Highly protected activities cited include ERPs of 137 [illegible] per [illegible] for electric motors, [illegible] per cent [illegible] electronics (TV, stereos, [illegible] recorders), [illegible] to 81 [illegible] for domestic and commercial refrigerators, [illegible] 60 [illegible] 97 per cent for furniture, and [illegible] per cent for garments. Industries hit hard[illegible] by [illegible] liberalisation include electronics, food pro[illegible] [illegible] clothing, [illegible] most competing imports were [illegible].

Companies in these sectors, especially clothing [illegible] suffered [illegible] triple blow: [illegible] of protectio[illegible] a more compressed duty stru[illegible]ture with [illegible] on [illegible] goods [illegible] relative to [illegible] imported inputs, [illegible] a sharp [illegible] in [illegible] demand [illegible] by drought and falling [illegible]. Even [illegible], import [illegible] continues [illegible] protected [illegible] the [illegible] exporters can hope for [illegible] protection, and [illegible] that [illegible] duty [illegible] system [illegible] efficiently, which [illegible] not.

According to the UNDP, low local value-added exporters are suffering, because tariffs and [illegible] inputs [illegible] protect upstream [illegible] hurt [illegible] players (clothing).

Two [illegible] are implicit in the existing system of protection: [illegible] greater vertical integration and militates against smaller indigenous firms, and it protects capital-intensive activities more than labour-intensive [illegible]. The proposed switch to VAT and the reduced reliance on import duties should [illegible] the competitiveness of industrial exporters.

Government officials are optimistic that the Export Processing Zone legislation will shift the incentive structure in favour of labour-intensive value-added activities, though many feel Zimbabwe has missed this particular bus. The UNDP report argues that if a duty exemption system for exporters, along the lines of the Inward Processing [illegible] scheme, could be implemented, then the chief advantage from EPZ investment would be the five-year [illegible] holiday.

One lesson from African structural adjustment pro[illegible] should not be forgotten. It [illegible] to level the playing field and create the enabling environment than to [illegible] supply [illegible]. This [illegible] where the neglected [illegible] institutional capacity, soft[illegible], corporate culture and, in [illegible], regionalism [illegible] into play. The [illegible] culture change involves getting management to see exports as the main source of growth [illegible] than [illegible] residual [illegible] that they have been in the past.

As it is, scarcely a week goes by without a captain of industry, convinced that industrialists deserve to be "rewarded" for exporting, calling for new export incentives.

That transformation, in turn, depends on the accumulation of new and different core competencies, a focus on quality, [illegible] of cross-border integrated manufacturing, as [illegible]tinct from stand-alone [illegible] in Zimbabwe [illegible] a radical change in official atti[illegible] to [illegible] immigration [illegible] personnel and [illegible] property.

Tony Hawkins

Michael Holman separates the facts from the hyperbole

Tourism: the million mark is near

"Africa's paradise", says Zimbabwe's marketing slogan.

Allowing for the hyperbole of the tourist business, most visitors tend to agree that there is indeed something special about a country which offers everything from some of Africa's best game parks to trout fishing in the eastern highlands, and makes up for the absence of a coastline by an inland sea called Lake Kariba.

And as word has got round, the number of visitors has soared. At current rates of growth, by the end of the decade 1m people a year will discover that Zimbabwe is one of the continent's most attractive destinations.

Yet it is still relatively uncrowded and comparatively cheap, and as tourist-friendly as anywhere in Africa and beyond.

Last year, some 880,000 visitors came to Zimbabwe – more than three times the 1989 figure – and growth is running at around 10 per cent a year. With receipts in 1993 put at some $95m, and employing around 60,000 workers, tourism is easily the fastest developing sector of the economy.

Operators speak confidently of 1m visitors annually by the end of the decade.

It is a perfectly feasible target. Zimbabwe is set to benefit from the tourism boom under [illegible] in post-apartheid South Africa, [illegible] from [illegible] that for [illegible] first [illegible] in [illegible] years, the region as a whole is at peace – provided, that is, the Angola ceasefire holds.

There is [illegible] doubt, either, that the country can cope. It is already renowned for its expertise in game conservation and management, as well as innovative schemes which ensure that local communities participate in, and benefit from, wildlife conservation.

The Communal Areas Management Programme for Indig[illegible] Resources (Campfire), introduced in 1984, encourages rural communities to exploit and sustain the local wildlife through tourism, rather than deplete it through poaching.

But [illegible] anyone who [illegible] Zimbabwe in the 1960s and 1970s, the idea of sharing the country with 1m other visitors

Heroes Acre – the national monument to Zimbabwean freedom fighters, just outside Harare

is most disagreeable. During those decades, [illegible] guerrilla war against [illegible] minority rule and economic sanctions imposed in the wake of the unilateral declaration of independence in 1965 reduced tourists to a [illegible] of 75,000 a year in the late 1970s.

The only answer, however, is to get to Zimbabwe before even more visitors [illegible] the delights [illegible] one [illegible] the best [illegible] in Africa.

Whether [illegible] a backpacker staying at one of the cheap hostels that have sprung up across the country, or in [illegible] luxury [illegible] developed over the past few years in pri[illegible] parks, prices and quality rival anything regional competitors such [illegible] South Africa or Kenya have to offer.

The luxury lodges, developed over the past few years in private game parks, rival anything South Africa or Kenya has to offer

Admittedly, some of the top hotels and lodges, [illegible] as they usually are, can be overpriced.

Many operate [illegible] two- or even three-tier pricing system – one for Zimbabwean residents, a second for visitors from neighbouring countries, [illegible] the third for the rest of the world. Thus what is usually termed "overseas" customers can find themselves paying as much as three times the local rate.

[illegible] hotels, however, are adopting a single tariff policy, and this may [illegible] norm.

[illegible] rate, there [illegible] compensation from the fact that prices other than accommodation are *extraordinarily cheap by international* [illegible] around $75 to fly the return journey from Harare to Victoria Falls, one of the natural wonders of the world.

Most visitors [illegible] base in Harare, "one of the safest urban centres in the world, almost devoid of the theft ... which mars other holiday destinations," according [illegible] government tourist handbook.

[illegible] *hyperbole is positively* misleading. Pickpockets are an increasing menace. A common ploy is to wave [illegible] form seeking sponsorship for a bogus charity event, [illegible] while the target is distracted.

For the bus[illegible] visitor, M[illegible] Hotel (795655 fax – 707754) remains the best in town, and is centrally located. Old hands say it has never been the same since the original Meikles, with its open verandah and balconies [illegible] knocked down in the 1960s. Only the [illegible] guarded the entrance remain, together with some long-serving members of staff who maintain old traditions of hospitality and personal service.

The [illegible] (14-729771) [illegible] inconveniently situated, [illegible] enough from the city centre to require a taxi – but the ride *costs only a couple of US dollars.*

[illegible] of the smaller city [illegible] the Bronte (796631) with its pleasant garden, are excellent value, and not far from the town centre.

Even the most pressed [illegible]ness visitor should find time for [illegible] day trip to the spectacular Victoria Falls; and [illegible] Air [illegible] (737011) daily flight is inconvenient, it is [illegible] *considering sharing* [illegible] charter from one of the several companies that operate from [illegible].

If there is not time to fit in Hwange Game Reserve, one of Africa's finest, [illegible] least get some of the flavour of the [illegible] from a night [illegible] Pamuzin[illegible] Safari Lodge, an hour's drive from Harare (11 lodges, 796541), or stay at Imire Game Park, (Wedza 2257).

If you have to stay in Harare over the weekend, find time for a Saturday afternoon at Borrowdale for the races, or an excursion to the game park at Lake Chivero (it's advisable to [illegible] malaria precautions); and [illegible] stage find [illegible] to stroll [illegible] the National Gallery [illegible] the [illegible] are on [illegible]play.

Several private galleries also *stock Zimbabwean work*, and will arrange delivery abroad.

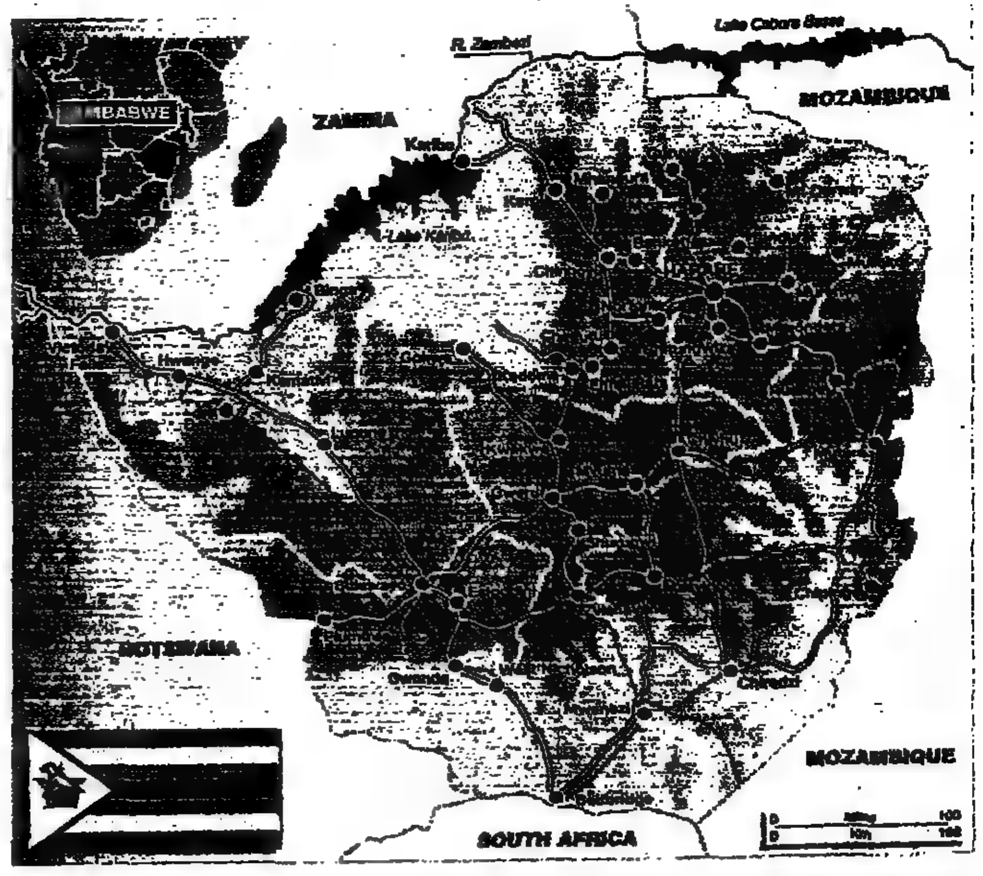
If on holiday rather than on business, consider making the southern city of Bulawayo your base. It is quieter, friendlier and closer to the Victoria Falls and Hwange, and a 20-minute drive from the magnificent granite hills of the Matobo national park, where the man who [illegible] his name to [illegible]sia – Cecil John Rhodes – is [illegible].

Stay [illegible] Nesbitt [illegible] (19-42726), a turn-of-the-century crenellated folly where 40-odd staff attend to the needs of guests, accommodated in eight bedrooms, surrounded by [illegible] garden with a swimming pool. Alternat[illegible] stay in one of the private game parks that have sprung up – [illegible] Hills (19-74589) is on the edge of the Matobo Park.

Bulawayo is also the starting point for what is by far the best way to arrive at the Falls: by rail. Best of all is the luxurious service operated by Rail Safaris (19-75575) – *but book early.*

[illegible] of [illegible] coast is made up for by its inland sea [illegible] Lake Kariba, where you can rent [illegible] houseboat – but [illegible] bilharzia, the [illegible] parasite. If that is too leisurely a way to spend [illegible] water rafting or canoeing on Zambezi River.

And if the summer heat is too much, head for the eastern highlands, where even in the hottest months you will need a jersey in the evening. The mountains [illegible] riding, troutfishing – all on your doorstep if you stay at Troutbeck Inn (129-8-305); or you could rent a cottage through the Manicpal and Publicity Association in Mutare (120-64711).



A herd of elephants at the Hwange national park

African curios abound, but make a point of visiting African Trackwoods (Harare 885632, UK agent 44-628-481086). The company turns old wooden railway sleepers made from local teak and other hard woods into magnificent tables and desks, and an associated company, Danjo Wood Products, turns the offcuts into everything from briefcases to cigar boxes and picture frames.

The supply of sleepers is limited, and the company reckons it could run out of them in a couple of years. Be prepared for a six-to-eight-month delivery date.

If you are going on safari, then the Bulawayo-based Courtney Boot Company makes hand-made hiking boots "inspired by the [illegible] of Frederick Courtney [illegible]", the last of the big game hunters. Each pair has its own serial number and wooden box, which for an extra US$10 will bear the purchaser's name on an engraved brass plaque.

Finally, a reading list might include the Globetrotter Guide to Zimbabwe, by Paul Tingay, while for an insight into the war which cost [illegible] 30,000 lives read [illegible] a guerrilla's story by Paul Hotz (Ravan Press, Johannesburg) or Angus Shaw's [illegible] Another [illegible], Another Place (Baobab Books, Harare).

Balance of [illegible] 1991-93 (in $m)

	1991	1992	1993
Exports	1,785	1,530	1,585
Imports	1,700	1,780	1,460
Trade balance	85	-250	125
Net services	-345	-360	-180
Investment income	-290	-255	-255
Net transfers	-	40	25
Current balance	-550	-845	-285
Capital account*	420	715	465
Overall balance	-125	-130	+180

* Adjusted for unrecorded flows

Main exports 1991-93 (figures in $m)

Commodity	1991	1993
Tobacco	532	365
Gold	225	335
Ferrochrome	155	142
Nickel	97	59
Cotton lint	65	25
Steel	29	16
Manufactures	340	450
(of which, Clothing/Textiles	92	122)
Totals	1,785	1,655

Tony Hawkins on the recovery

Balance is back in the black

Drought and trade liberalisation pushed Zimbabwe's balance of payments deep into the red in 1991-92, since when there has been a strong recovery. In part, this reflects sluggish growth and depressed *imports, but this year exports* should recoup most of their 1992 losses caused by drought and depressed commodity prices.

Strong primary export growth in 1994-95 could push the current account into surplus if import demand remains weak, exacerbating [illegible] upward pressure on the exchange [illegible] arising from aid and capital inflows, mainly portfolio and hot money rather than foreign direct investment (FDI).

The real exchange rate has been appreciating, compounding manufacturing industry's export woes. *But* commodity exporters seem happy

Foreigners disinvested during the 1980s, and although [illegible] has been [illegible] small net inflow ($35m) since 1990, the country's stock [illegible] foreign *investment has tumbled from* $7bn in 1980 to $2.6bn in 1992.

[illegible] Africa's third largest host country [illegible] FDI after South [illegible] Nigeria. The Zim[illegible] dollar, devalued by 17 per cent at the end of 1993 as part of an exchange control lib[illegible] package, regained 5.5 per cent of its value in the first half of the year, but has since resumed its slide, taking *its depreciation to 19 per cent* so far this year, including the 17 per cent official devaluation.

Given a 12 to 15 per cent inflation differential with Zimbabwe's main trading partners since January, the real exchange rate has been appreciating, thereby compounding manufacturing industry's *export woes. Commodity* exporters, however, seem happy with the rate for the time being, although a further downward adjustment is expected in 1995, with the rate falling from Z$8.4 to the US dollar to around *Z$10* in [illegible] year's time.

In 1991 tobacco, gold and ferrochrome accounted for just over half of exports. Tobacco has since lost ground [illegible] recovering, [illegible] also is ferrochrome and nickel. Gold earnings will increase substantially this year and next and new mineral exports will come on stream with diamonds [illegible] platinum making Zimbabwe an increasingly min*erals-dependent exporter* in the second [illegible] decade, while there are high hopes that horticulture will recoup some of the ground lost by tobacco.

[illegible] ESAP, Zimbabwe's foreign [illegible] increased 44 per cent to $3[illegible] at the end of 1993 (from 39 per [illegible] to 69 [illegible] GDP). [illegible] payments absorbed 30 per cent of exports, but this ratio will fall as [illegible] *recover*, though it will remain uncomfortably high for the next few years.

هكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Bid stories help offset early slide in equities

By Steve Thompson

Talk of an imminent takeover bid, involving one of the FT-SE 350 stocks, helped the rehabilitation process of a UK equity market which plunged back through the 3,000 mark on the FT-SE 100 Index shortly after the outset of trading yesterday.

There were no really "hot" stories circulating, but dealers insisted some sort of takeover or strategic stakebuilding move was afoot. One suggestion was that JP Morgan, the US investment bank was at last about to instigate a much-rumoured plan to merge its market activities with those of S.G. Warburg, the leading UK investment bank. Stories of such a move have been circulating in London for many months.

Earlier, markets across Europe, but especially London, had come under heavy downside pressure following news that one of the world's biggest mutual funds, Fidelity's Magellen is not paying a year-end dividend, having sustained heavy losses in derivative market during the year.

This news, coming so soon after Wall Street's recent downside break and persistent talk that US interest rates are set to move up again, only weeks after the 75 basis points rise, caused serious worries in the London market.

It also spent much of the session fretting about the possibility of the Conservative government sustaining an extremely damaging defeat in the House of Commons over the second stage of the imposition of VAT on domestic fuel.

Adding to the UK market's discomfort were comments by Mr Eddie George, Governor of the Bank of England, that the UK economy was growing at an unsustainable rate, a view interpreted by the markets that an increase in UK interest rates could occur much sooner than the markets had previously expected. A rise in January has been widely predicted.

At the close of a frantic trading session the FT-SE 100 index was 17.4 lower at 3,016.1. The FT-SE Mid Cap 250, which, unlike the 100-index failed to move up on Monday, plunged 28.1 to 3,430.2.

Despite the high anxiety encompassing the markets, there was precious little real customer activity in London. Turnover in equities was a pitiful 432.3m shares, the lowest for many weeks, with non FT-SE stocks accounting for over 60 per cent of that [illegible]. Customer business on Monday just topped £1bn level to reach £1.19bn.

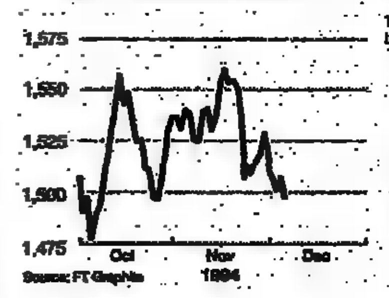
The Footsie began the session weakly with dealers citing the Fidelity news. Within two hours of the opening the 100 index was down over 40 points and in disarray with marketmakers predicting a bloodbath on Wall Street.

Sentiment began to improve thereafter, and the 100 index picked up strongly as Wall Street confounded the market, opening is resilient form, considering the Fidelity news, and slipping 20 Dow Jones points before embarking on a strong rally which took the index into positive territory shortly after London closed. Two hours after the UK market finished the Dow was three points easier.

With events in the US [illegible] than expected it was domestic events which dominated in London as the session drew to a close. Talk in the market was that the VAT vote was going against the government, with only five hours before the division bell. A leading marketmaker said a defeat over the VAT Bill, with all the implications for raising further taxes, would be a severe setback for the government. And there was a story that the chancellor had already prepared a contingency plan in the event of a defeat of the VAT bill.

Around a quarter of the constituents of the 100 index ended on positive ground, with BTR leading the pack in a reaction to the recent big slide in the stock. Glaxo was given a strong boost by negative stories concerning Astra, one of the group's big rivals.

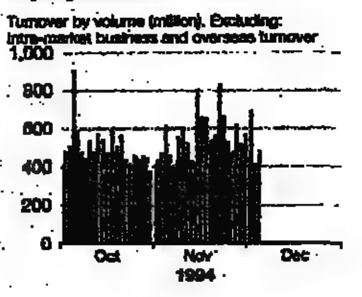
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3016.1	-17.4	FT Ordinary Index	2318.3	-10.6
FT-SE Mid 250	3430.2	-28.1	FT-SE-A Non Fins p/e	18.05	(18.17)
FT-SE-A 350	1510.9	-9.6	FT-SE 100 Fut Dec	3022.0	-18.0
FT-SE-A All-Share	1497.72	-9.33	10 yr Gilt yield	8.67	(8.60)
FT-SE-A All-Share yield	4.09	(4.06)	Long gilt/equity yld ratio:	2.13	(2.13)

Best performing sectors

1. Retailers, Food ... +0.4
2. Diversified Inds ... +0.3
3. Pharmaceuticals ... +0.1
4. Sp[illegible] Wines & Cider ... -0.1
5. Distributors ... -0.1

Worst performing sectors

1. Telecommunications ... -1.4
2. Insurance ... -1.3
3. Tobacco ... -1.1
4. Utilities ... -1.1
5. Printing, Paper & Pckg ... -1.1

De La Rue suffers bid talk

Banknote printer De La Rue fell sharply as the City began to receive whispers that it was ready once again to pay possibly more than £600m for Portals, the security and specialist paper maker. The speculation was strong enough to force a joint announcement by the two companies to the effect that although De La Rue was keen there was nothing under discussion.

Several analysts and traders suggested that the rumours have been emanating from those at Portals keen to maintain its independence. In addition, the close relationship between the two companies means it is unlikely that De La Rue will launch a hostile bid.

The conclusion is that De La Rue will have to pay a premium price to achieve a mutually agreeable offer. The worries over how deeply it will have to dig saw its shares fall 38 to 963p. Meanwhile, speculation that it might pay around 900p a share saw Portal shares leap 66 to 771p.

Pharmaceuticals group Glaxo put on a strong performance as the market gave its interpretat[illegible] to a negative report abo[illegible] Astra, its Swedish rival.

US investment bank Merrill Lynch told clients that Astra had run into problems with the US Food and Drug Administration (FDA) over its anti-asthma inhaler. The FDA has apparently suspended a review of the inhaler until Astra produces more satisfactory [illegible]

Any removal or deferral of competition is bound to be good news [illegible] Glaxo, which is the world's leading supplier of asthma products and which generates about 10 per cent of its total sales through US asthma treatments.

Glaxo shares bounced [illegible] to 619p with 7.8m traded. Mr James Culverwell of Merrill Lynch said: "We have made no comments on Glaxo, but the market has drawn its own conclusions."

Recently floated TeleWest Communications caused a flurry of telecoms activity, with the shares falling back to their issue price of 182p at one point during the day. The stock finished 2 down at 182½p following 7.9m turnover.

The stabilisation period for the issue has 15 days to run but Kleinwort Benson, joint broker to the float, claimed not to be supporting yesterday. The merchant bank also quashed speculation that TeleWest had been hit by flowback from the Wall Street tranche of the issue in the wake of a rough patch for US telecoms shares.

Further reflection on the big reorganisation at its Mercury unit – which supplies 16 per cent of group operating profits – left Cable and Wireless 9½ lower at 368½ in 5.1m turnover.

Reports that the government was likely to lose the vote on the second stage of the imposition of value added tax on domestic fuel continued to cast a shadow over the regional electricity companies' shares, causing a retreat in several stocks in the sector. Seeboard gave up 9 to 412p and PowerGen receded 4 to 588p, while Norweb tumbled 16 to 780p.

Those worries were combined with disappointment at the dividend increase from Midlands Electricity where shares fell 15 to 765p. The group raised the dividend payment by 22 per cent to 9.3 per cent but that was below market expectations of around of a 24 to 25 per cent increase. A further slide in the shares was prevented by a 14.4 per cent increase in headline profits, to £102.4 which was well ahead of market expectations.

Such was the sentiment that not even the news that Yorkshire was to get £17m compensation from Stockholm City Council for a terminated contract could lift the stock out of the gloom. The shares weakened 13 to 715p.

SmithKline Beecham closed a penny stronger at 429p after US house Smith Barney upgraded the stock along with Merck and Eli Lilly.

Fisons dropped 3 to 114p on talk of a James Capel downgrade. The house declined to comment.

Yorkshire Chemicals held its ground at 348p as Hoare Govett recommended it in its weekly sector review. Meanwhile Allied Colloids fell 13 to 117p on disappointment over the group's interim figures.

A number of diversified industrial groups had an active day, notably BTR which gained 7½ to 284½p in surging trading volume as bargain hunters reversed the recent downtrend. The shares have underperformed the market by 7 per cent over the past month and 24 per cent since September.

Charter unveiled strong interim results, lifting the shares 25 to 780p and prompting leading analysts to upgrade full year profit forecasts. Nomura Securities went up by £10m to £71.5m.

The black spot in the sector was Powell Duffryn which tumbled 25 to 517p following an unexpected £71m rights issue.

Slower than expected profits growth and an absence of top management news sent freight specialist NFC tumbling. The shares closed 15 lower at 147p with 7.8m traded. UBS trimmed its full-year profits estimate by £10m to £115m, although the securities house saw some comfort in the solid dividend and the promise of statement before Xmas on NFC's chief executive vacancy.

Engineering group Siebe eased 5 to 548p as interim profits failed to exceed expectations. Hoare Govett shaded its estimate for the full year payout to just over 12p.

Hazlewood fell 6 to 104p after disappointing interim [illegible]ures. Profits fell £12.6m to £10.7m - below the market's worst fears. Analysts were also disappointed by the lack of further news on current trading.

The improvement in interim profits at Taunton Cider was below market forecasts and the shares responded by sliding 11 to 143p.

Retailing stocks remained in the doldrums as nervousness about Christmas trading continued. Great Universal Stores fell 5 to 530p, while Kingfisher surrendered 7 to 441p. Marks and Spencer eased 3 to 389p, as Panmure Gordon reiterated its sell recommendation.

Dixons was one of the few bright features. The shares improved 6¼ to 187½p, on a view that an Office of Fair Trading report into warranties, due shortly, will be more lenient than originally thought.

J. Sainsbury, traditionally a defensive stock, rose 4 to 402p.

Merchant bank Kleinwort Benson firmed a penny to 486p, with Credit Lyonnais Laing recommending the shares.

Rival S.G. Warburg shed 6 to 671p although talk of a takeover bid by one of the US financial heavyweights returned late in the day.

Exploration and production company British Borneo gained 5 to 213p after announcing a "potentially commercial oil discovery"

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (18).
DISTRIBUTORS (1) Triton, ELECTRNC & ELECT EQUP (1) Control Techniques, ENGINEERING (1) Turnpyke, EXTRACTIVE INDS (1) Reunion Mining, INVESTMENT TRUSTS (1) JF Asia Select, LEISURE & HOTELS (1) London Clubs, MEDIA (1) Metal Bulletin, OIL EXPLORATION & PROD (1) Sheffield Res., OTHER FINANCIAL (1) Int'l. [illegible] Tst. Jersey, SUPPORT SERVS (3) Business Post, Real Time Control, TRANSPORT (1) Stagecoach.
NEW LOWS (144).
GILTS (7) BANKS (1) BREWERIES (1) Young Brew A, BUILDING & CNSTRN (8) AMEC 5½p Cnv. Prf., Berkeley, McAlpine (A), Persimmon, Westbury, Wimpey (2), BLDG MATLS & MCHTS (10) CHEMICALS (4) Courtaulds, Gibbon, Hickson Int'l., Wardle Storeys, DISTRIBUTORS (3) Diploma, Lex Service, Ross, DIVERSIFIED INDLS (4) ELECTRNC & ELECT EQUP (4) ENGINEERING (7) Bany Wehmiller, Billam (J), Cooper (Fr), Locker (T), Locker (T) A, McKechnie, Molins, EXTRACTIVE INDS (12) HEALTH CARE (1) Biotace Int'l., HOUSEHOLD GOODS (3) Creighton Naturally, Fine Decor, INSURANCE (6) General Accident, INVESTMENT TRUSTS (16) INVESTMENT COMPANIES (3) LEISURE & HOTELS (3) Magnolia, My Kinda Town, Quadrant, LIFE ASSURANCE (1) London & Manchester, MEDIA (3) Holmes Marchant, Sterling Publishing, VTR, OIL EXPLORATION & PROD (1) Pict Petroleum, OIL, INTEGRATED (1) Santos, OTHER FINANCIAL (3) Expo, St. James's Place Capital, Swire Pacific A, PRTNG, PAPER & PACKG (4) API, Brison, Sarll, Sidlaw, PROPERTY (10) RETAILERS, GENERAL (7) Body Shop Int'l., Boots, Brown & Jackson, Fine Art Devlps., Kingfisher, OS Holdings, Rhino, SPIRITS, WINES & CIDERS (1) Merrydown, SUPPORT SERVS (3) ACT, CRT, Microgen, TELECOMMUNICATIONS (2) Cable & Wireless, Do 7pc Cn[illegible] TEXTILES & APPAREL (8) Courtaulds [illegible] Drummond, Foster (J), Sherwood, [illegible], TRANSPORT (4) NFC, Norish, P & O 5½pc Cnv. Prf., Vard, WATER (3) South West, Wessex, AMERICANS (1) American T & T, CANADIANS (3) American Barrick Res., Echo Bay Mines Ltd.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a roller-coaster session, sliding steeply during the morning but clawing back steadily towards the end of the day's trading, writes Jeffrey Brown.

The FT-SE 100 December contract was at 3,022 at the close of pit trading, down 19 points. The premium to the cash market was eight points, or more than six points over fair value.

Sentiment was weak at the close but it had been far blacker during the morning session when heavy selling pushed the December contract down to a low for the day of 2,988 in good volume, with some 9,000 contracts dealt by mid-morning.

There was an eerie lull around midsession but by 2.30pm, when Wall Street came into the picture, buyers were beginning to emerge.

Traders said the final hour of trading produced a significant squeeze, hoisting the December contract back above 3,000. In late screen-based trading the December contract moved up to 3,027. At the official close, volume totalled 15,800 lots – against 12,683 on Monday – but 2,500 of this was spread trading into the March contract.

Traded option activity showed a clear bounce, rising to 43,188 lots from 30,168 on Monday. Puts outnumbered calls by more than two-to-one. FT-SE and Euro FT-SE lots totalled 30,500.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3022.0	3022.0	-18.0	3028.0	2988.0	16690	46036
Mar	3036.0	3036.0	-19.0	3040.0	3003.0	2597	18522
Jun		3056.0	-18.0			0	685

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3450.0	3430.0	-35.0	3450.0	3430.0	305	[illegible]
Mar	3485.0	3463.0	-37.0	3485.0	3464.5	270	[illegible]

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3425.0	-	-	-	-	[illegible]

All open interest figures are for previous day. † Exact volume [illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*3014) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Dec	177	4	131½	8	89	15	54	31	28	55	12	94	4	140	1½	190
Jan	207	25	169½	39½	133½	52	102	71½	72½	94½	51	123½	33½	157½	20	193½
Feb	229½	39½	198½	50½	5½	68	128½	87½	98½	108	74	137½	52½	168	28½	205½
Mar	237	52	280½	68	168	84½	138½	106	119½	127½	88½	157	68	188½	84	222½
Jun†			248½	92			181½	131			132	182			98	242½

Calls 3,842 Puts 20,791

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Dec	180½	1½	132½	3½	106	11	69	22	38½	41½	18½	71½	7	110	1½	154
Jan	221	17½	188½	27	144	38½	111	55½	82½	76	58½	104	41	135	27	170½
Feb	243	30			180	55			108½	98½			64	147½		
Mar	248½	42			199	71			121	110			76	163½		
Jun†	291½	69			225½	100			180½	139½			128½	188½		

Calls 1,167 Puts 1,707 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550	3600	3650	3700	3750
Dec	49	4	16	20	3	58½					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Dec 6	Day's chge%	Dec 5	Dec 2	Dec 1	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3016.1	-0.6	3033.5	3017.3	3039.6	3287.3	4.27	7.35	16.07	118.96	1147.44
FT-SE Mid 250	3430.2	-0.8	3458.3	3459.9	3477.1	3658.0	3.69	6.01	20.01	127.76	1267.71
FT-SE Mid 250 ex Inv Trusts	3425.7	-0.8	3453.5	3456.9	3474.3	3567.9	3.66	6.52	18.60	133.57	1263.89
FT-SE-A 350	1510.9	-0.6	1520.5	1514.4	1524.8	1610.5	4.14	7.05	16.82	58.66	1176.27
FT-SE SmallCap	1754.32	-0.5	1762.91	1763.00	1766.88	1771.97	3.40	5.04	25.15	53.85	1369.03
FT-SE SmallCap ex Inv Trusts	1722.31	-0.5	1730.27	1731.74	1734.97	1742.42	3.62	5.62	22.94	55.81	1347.92
FT-SE-A ALL-SHARE	1497.72	-0.6	1507.05	1501.44	1511.21	1591.07	4.09	6.91	17.23	57.50	1185.89

■ FT-SE Actuaries All-Share

(Sector rows 10 MINERAL EXTRACTION to 99 FT-SE-A ALL-SHARE, ■ Hourly movements and ■ FT-SE Actuaries 350 Industry baskets: [illegible])

TRADING VOLUME

■ Major Stocks Yesterday

(Vol. 000s, Closing price, Day's change: [illegible])

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	66	3
Other Fixed Interest	0	3	11
Mineral Ex[illegible]	16	69	81
General M[illegible]	54	234	340
Consumer [illegible]	17	79	90
Services	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]
Financials	[illegible]	[illegible]	[illegible]
Investment Trusts	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	225	1,077	1351

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

	Dec 6	Dec 5	Dec 2	Dec 1	Nov 30	Yr ago
SEAQ bargains	17,502	18,391	17,705	18,530	19,961	31,841
Equity turnover (£m)†	-	1185.3	1033.5	1764.0	1381.2	1439.2
Equity bargains†	-	26,779	24,881	25,472	25,996	35,842
Shares traded (ml)†	-	460.3	404.0	647.1	569.6	598.8

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	[illegible]	[illegible]	[illegible]	[illegible]	8,736	5.0	φ
ANZ A$		198	—	278¼	177	2,848	6.2	φ
Abbey National	†N□	415	—	323	380½	6,444	4.7	14.0
Allied Irish I£	†N□	247	-3	314	233	1,646	5.1	6.5
Anglo Irish I£	N□	83xd	—	78	60	182.4	8.3	φ
Asahi Y	□	727½	-2¾	619¾	628	16,864	0.6	φ
Banco Bil Viz Pta	□	[illegible]	[illegible]	217	214½	3,879	5.0	7.5
Banco Sant Pta		[illegible]	—	[illegible]	222¼	3,723	5.8	6.6
Bk Ireland I£	†N□	287xd	-3	319	246	1,381	5.0	8.3
Bank Scotland	†N□	207xd	-1	247	172½	2,417	3.2	11.7
9¼pc Pf		118	[illegible]	141½	106	118.8	9.8	—
9⅛pc Pf		122½	[illegible]	149½	111¼	123.5	9.9	—
Barclays	†N□	600	-4	640	487	9,780	3.5	18.6
Dai Ichi Kan Y	□	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.5	—
Deutsche DM	□	[illegible]	[illegible]	[illegible]	[illegible]	14,223	2.2	—
Espirito Santo	□	[illegible]	[illegible]	[illegible]	[illegible]	174.6	4.7	4.1
First Nat Fin	N□	61	-1½	90	60	103.0	3.1	—
6.3pc Cv Pf		72	—	90	70	4.84	10.9	—
7pc Cv Pf		117½	-1½	171	117½	65.8	7.4	—
Fuji Bank Y	□	[illegible]	-10	[illegible]	1152½	38,129	0.4	φ
HSBC HK	†N□	695	-4	1130	680	12,208	4.4	10.1
HSBC (75p Shs)	†N□	697	-6	1113	650	6,838	4.4	10.1
Irish Permanent	N□	222	-1	223	205	189.0	5.4	7.7
Lloyds	†N□	556	+1	655	519	7,211	5.2	10.9
Mitsubishi Y	□	214¼	[illegible]	[illegible]	[illegible]	42,464	0.4	φ
Mitsu Tst & Bk Y	□	912½	[illegible]	1162¼	667½	10,936	0.6	14.4
Mitsui Tst & Bk Y	□	627½	-5	678	514	7,520	0.9	21.0
Nat Aust A$		525	+1	620¼	472	7,027	6.9	φ
NatWest	†N□	500	-6	622	421	8,709	4.6	9.5
Ottomane FFr		221½	[illegible]	233	221	107.5	6.8	φ
Ryl Bk Scotland	†N□	419	+2	506	377½	3,349	4.2	9.9
Sakura Y	□	[illegible]	[illegible]	[illegible]	[illegible]	39,505	0.6	52.8
Sanwa Y	□	[illegible]	[illegible]	[illegible]	[illegible]	36,002	0.5	—
Standard Chartd	†N□	282	-4	[illegible]	223	2,718	2.8	9.7
7 3/8pc Prf		94	[illegible]	108½	82¼	94.0	[illegible]	—

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
Anglo [illegible] Ind		224	—	254	213½	2,217	2.2	24.9
Barlow		954	—	[illegible]	[illegible]	1,698	1.9	[illegible]
Gold Flds Prop R		[illegible]	—	[illegible]	75	12.1	7.9	[illegible]
MK Props		[illegible]	—	[illegible]	[illegible]	3.82	12.7	–
SASOL		490	—	[illegible]	290	2,814	2.9	–
SA Brews		[illegible]	—	[illegible]	[illegible]	4,224	1.9	29.6
Tiger Oats		790	—	[illegible]	[illegible]	1,129	2.9	[illegible]
Tongaat-Hulett		725	—	725	395½	693.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by [illegible] Financial, a member of the Financial Times Group.

Company classifications are based on those [illegible] the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the [illegible] daily as a guide to yields and P/E ratios. Dividends and Dividend [illegible] published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) [illegible] for Investment Trusts, in pence per share, along with the [illegible] discounts (Dis) or premiums (Pm -) to the current closing share [illegible] NAV basis assumes prior charges at par value, convertibles [illegible] and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £[illegible] a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

CURRENCIES [illegible] MONEY

MARKETS REPORT

Political uncertainties overshadow markets

In the absence of significant new economic data, political concerns dominated the markets yesterday, *writes Gillian Tett*.

Uncertainty over the UK parliamentary vote on VAT and the timing of the next interest rate rise shaped market sentiment towards sterling. News that Antonio Di Pietro, the Italian government magistrate, might resign undermined the lira. Political uncertainties also weakened the punt, after new Irish elections appeared more likely. Meanwhile the resignation [illegible] Mr Lloyd Bentsen, US Treasury secretary helped to firm the dollar fractionally.

■ Trading in sterling was relatively quiet ahead [illegible] the crucial vote yesterday night [illegible] the passage of the bill introducing VAT on fuel. During the day sterling strengthened fractionally, closing at $1.5631, up from the previous day's close of $1.5591. Against the D-Mark it closed at [illegible] up from the previous day's close of DM2.4542.

Analysts said that the British currency appeared to be caught between two conflicting pressures. On the one hand, the political uncertainty that had accompanied the UK vote was weakening investors' confidence in the currency.

Mr Neil MacKinnon, chief economist at Citibank said: "What international investors [illegible] seen for the second week in a row is a picture of a government surviving by one or two votes. It doesn't smack of strong government - it [illegible] quite Italian in fact."

But on the other hand, sterling has been supported by growing market expectations that Mr Kenneth Clarke, UK chancellor, and Mr Eddie George, Governor of the Bank of England, will raise interest rates when they meet today. Indeed, widespread [illegible] that interest rates would be raised faster if the vote on VAT was lost fuelled expectations of an imminent interest rate yesterday.

If the UK monetary authorities do not, in fact, raise interest [illegible] this week, this could significantly weaken sterling in the [illegible] ahead, analysts warned.

Mr Rob Hayward, economic advisor [illegible] the Bank of America, [illegible] "Speculation has been growing in the last 24 hours of a rate rise. If there is not a rise this week, we will probably see [illegible] negative [illegible]tion from the markets."

These growing [illegible] of a rate rise triggered a significant fall in sterling futures for the second day in a row. The March contract fell some 18 basis points during the day, to close around 92.50. At this level [illegible] [illegible] assuming that interest rates will [illegible] 7.5 per cent by next spring.

■ Political uncertainty yesterday weakened the lira and led to [illegible] slide in Italian futures after Mr Di Pietro, the symbol of Italy's anti-corruption drive, submitted his resignation. The lira yesterday closed at L1033 against the D-Mark, compared with L1028 the previous day.

■ Meanwhile the Irish markets were overshadowed by speculation that new elections were imminent after talks on an alliance between the Labour and Fianna Fail parties collapsed. The Irish punt yesterday closed at DM2.405, compared with DM2.415 the previous day.

■ The news that Mr Bentsen was resigning as [illegible] Treasury Secretary, and being replaced by Mr Robert Rubin, was received relatively well on the markets. Although the dollar had weakened during early European trading, it rallied slightly after the news of the appointment. It finally closed [illegible] Y100.3, compared with Y100.4 the previous day. Against the D-Mark it closed at DM1.573, compared [illegible] DM1.574 in the previous day's [illegible].

Traders pointed out that Mr Bentsen's departure was seen as being favourable for the dollar, because of his tendency to talk down the dollar against the yen in previous months.

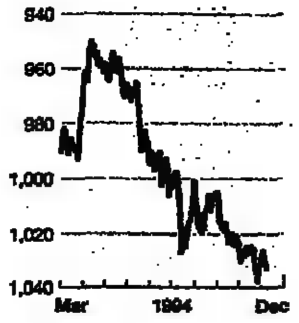
In the longer term Mr MacKinnon now believes that the fundamentals bode well for the dollar, and is predicting that the dollar could strengthen significantly [illegible] the [illegible] months.

Mr [illegible] Hannah, international economist at IBJ, remains doubtful. "The markets are speculating that the Fed will tighten in December or January, and if it doesn't there is a risk that the Fed will lose credibility," he said.

■ The Bank of England yesterday forecast a shortage of £900m in the UK money markets, and removed almost all of this at established rates.

Lira

Against the D-Mark (Lira per DM)



Source: Datastream

■ Pound in New York

Dec 6	Latest	Prev. close
£ spot	[illegible]	1.5570
1 mth	1.5603	1.5574
[illegible]	1.5600	1.5573
1 yr	1.5581	1.5566

■ OTHER CURRENCIES

Dec 6	£	$
[illegible]	172.448 - 172.704	110.360 - 110.460
Iran	2737.90 - 2741.00	1748.00 - 1750.00
Kuwait	0.4686 - 0.4691	0.2999 - 0.3000
Poland	37881.7 - 37930.5	24230.0 - 24260.0
[illegible]	5144.16 - 5155.10	3291.00 - 3296.00
U.A.E.	5.7325 - 5.7441	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Dec 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months [illegible]	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	[illegible]	17.3030	+0.0336	941 - 119	17.3119	17.2257	17.2987	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Belgium	(BFr)	[illegible]	[illegible]	[illegible]	50.5652	50.3460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	9.6201	[illegible]	156 - 246	[illegible]	[illegible]	[illegible]	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	116.8
Finland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	[illegible]
France	(FFr)	[illegible]	+0.0112	349 - 437	[illegible]	[illegible]	8.4368	0.4	[illegible]	[illegible]	[illegible]	1.1	[illegible]
Germany	(DM)	[illegible]	+0.0037	564 - 594	2.4594	2.4464	[illegible]	[illegible]	[illegible]	0.8	[illegible]	[illegible]	[illegible]
Greece	[illegible]	[illegible]	[illegible]	695 - 961	378.961	377.339	-	-	-	-	-	-	-
Ireland	[illegible]	1.0226	+0.0063	218 - 234	1.0234	1.0168	1.0226	0.0	1.022	0.3	1.021	0.2	104.5
Italy	[illegible]	2540.74	+17.53	923 - 225	2542.25	2517.86	2547.04	-3.0	2556.89	-2.5	2597.19	-2.2	73.5
Luxembourg	(LFr)	50.5288	+0.0661	923 - 652	50.5652	50.3460	50.4988	0.7	50.4088	0.9	49.8638	1.3	115.8
Netherlands	(Fl)	[illegible]	+0.005	517 - 549	[illegible]	[illegible]	2.7523	0.8	2.7479	0.8	2.7131	1.6	120.8
Norway	(NKr)	[illegible]	[illegible]	032 - 131	[illegible]	[illegible]	[illegible]	-0.1	[illegible]	[illegible]	[illegible]	0.0	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	110 - 411	251.577	250.397	252.991	[illegible]	[illegible]	-7.8	-	-	-
Spain	[illegible]	[illegible]	[illegible]	029 - 480	206.480	205.259	[illegible]	-2.1	[illegible]	-1.7	[illegible]	-1.7	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	561 - [illegible]	[illegible]	[illegible]	11.7851	-1.8	11.8176	-1.8	[illegible]	-1.8	[illegible]
[illegible]	(SFr)	[illegible]	[illegible]	720 - 748	2.0748	[illegible]	[illegible]	[illegible]	2.0629	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	[illegible]
Ecu	-	1.2874	+0.001	865 - 883	1.2883	1.2833	1.2873	0.1	1.287	0.1	1.2791	0.6	-
SDR†	-	0.929807	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	[illegible]	[illegible]	585 - 605	[illegible]	1.5540	-	-	-	-	-	-	-
Brazil	(R)	[illegible]	+0.0075	204 - 243	[illegible]	1.3188	-	-	-	-	-	-	-
Canada	[illegible]	2.1471	+0.0064	461 - 481	[illegible]	[illegible]	[illegible]	-0.2	[illegible]	[illegible]	[illegible]	0.1	[illegible]
Mexico	(New Peso)	[illegible]	+0.0237	816 - 894	[illegible]	5.3560	-	-	-	-	-	-	-
USA	($)	[illegible]	+0.004	626 - 636	[illegible]	[illegible]	1.5635	[illegible]	[illegible]	0.0	[illegible]	[illegible]	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	+0.0101	325 - 350	[illegible]	[illegible]	[illegible]	-1.4	[illegible]	-1.4	2.0732	-1.9	-
Hong Kong	[illegible]	[illegible]	[illegible]	860 - 935	12.1111	[illegible]	[illegible]	[illegible]	[illegible]	-0.1	[illegible]	[illegible]	-
India	[illegible]	[illegible]	[illegible]	344 - [illegible]	49.1410	48.8670	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	+0.233	588 - 619	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(M$)	4.0082	+0.0098	062 - 101	4.0140	3.9929	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4738	-	721 - 755	2.4778	2.4678	2.4804	-3.2	2.4914	-2.9	2.5298	-2.3	-
Philippines	(Peso)	37.3179	-0.1786	118 - 240	38.0200	36.9293	-	-	-	-	-	-	-
Saudi Arabia	[illegible]	5.8625	+0.0145	605 - 645	5.8738	5.8409	-	-	-	-	-	-	-
Singapore	(S$)	2.2893	+0.0016	878 - 907	2.2928	2.2813	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5580	+0.0078	632 - 667	5.5801	5.5507	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5101	+0.0679	926 - 276	6.5276	6.4472	-	-	-	-	-	-	-
South Korea	(Won)	1236.77	+2.66	633 - 720	1239.02	1232.05	-	-	-	-	-	-	-
Taiwan	(T$)	41.1044	+0.0786	886 - 201	41.1780	40.9491	-	-	-	-	-	-	-
Thailand	(Bt)	39.1936	+0.0679	666 - 204	39.2670	39.0650	-	-	-	-	-	-	-

†SDR rates for Dec 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
[illegible]	[illegible]	[illegible]	[illegible]	675 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.9	[illegible]	1.1	[illegible]
[illegible]	(BFr)	[illegible]	-0.0395	130 - 410	[illegible]	32.2650	[illegible]	[illegible]	32.237	1.1	31.882	1.4	[illegible]
Denmark	(DKr)	[illegible]	-0.0053	536 - 558	[illegible]	[illegible]	[illegible]	[illegible]	6.1557	-0.1	[illegible]	0.2	[illegible]
Finland	(FM)	[illegible]	+0.0078	805 - 905	[illegible]	[illegible]	[illegible]	1.2	4.876	0.8	[illegible]	0.4	[illegible]
[illegible]	[illegible]	[illegible]	-0.0065	980 - 005	[illegible]	[illegible]	[illegible]	0.7	[illegible]	[illegible]	5.3383	1.1	[illegible]
Germany	[illegible]	1.5725	-0.0016	720 - 730	[illegible]	[illegible]	1.5714	0.8	[illegible]	1.0	[illegible]	1.7	106.9
[illegible]	[illegible]	[illegible]	-0.245	330 - 380	242.410	241.920	245.055	-13.4	249.605	-12.0	268.105	-10.6	68.3
Ireland	(I£)	1.5266	-0.0055	278 - 293	[illegible]	1.5278	1.5291	-0.4	1.5296	-0.2	1.5268	0.0	-
Italy	(L)	1625.50	+7.12	500 - 600	[illegible]	1617.20	1628.95	-2.5	1635	-2.3	1661	-2.2	74.2
Luxembourg	(LFr)	32.3270	-0.0395	130 - 410	32.3410	32.2650	32.3015	0.9	32.237	1.1	[illegible]	1.4	105.9
Netherlands	(Fl)	[illegible]	-0.0013	610 - 620	1.7620	1.7561	1.7603	0.9	1.7574	0.9	[illegible]	1.6	105.6
[illegible]	[illegible]	[illegible]	[illegible]	496 - 520	6.8630	[illegible]	6.852	[illegible]	[illegible]	0.1	6.8408	0.1	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	162.4	-4.1	166	-3.3	[illegible]
Spain	(Pta)	[illegible]	[illegible]	850 - 050	[illegible]	[illegible]	[illegible]	-1.7	[illegible]	-1.5	134.15	-1.7	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.4777	7.5373	-1.6	[illegible]	[illegible]	[illegible]	-1.8	81.4
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.3	[illegible]	2.2	[illegible]	2.8	[illegible]
UK	(£)	[illegible]	[illegible]	[illegible]	[illegible]	1.5570	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.1	88.5
[illegible]	-	1.2141	+0.0021	136 - 146	1.2168	1.2122	[illegible]144	-0.3	1.215	-0.3	1.2223	-0.7	-
SDR†	-	1.46022	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9991	-	990 - 991	[illegible]	[illegible]	-	-	-	-	-	-	-
[illegible]	(R)	0.8460	-0.007	450 - 470	[illegible]	[illegible]	-	-	-	-	-	-	-
[illegible]	[illegible]	1.3737	[illegible]	734 - 739	1.3740	1.3730	[illegible]	[illegible]	[illegible]	0.2	1.3757	-0.1	[illegible]
[illegible]	(New Peso)	[illegible]	+0.0065	440 - 470	[illegible]	[illegible]	[illegible]	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	-
USA	[illegible]	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
[illegible]	(A$)	1.3012	+0.0031	007 - 016	1.3026	[illegible]	[illegible]	-0.7	[illegible]	[illegible]	[illegible]	-1.2	[illegible]
[illegible]	[illegible]	7.7344	-0.0016	[illegible]	7.7355	7.7338	7.7324	[illegible]	7.7312	0.2	[illegible]	-0.1	-
[illegible]	(Rs)	31.3850	-0.0075	800 - 900	31.3900	31.3750	[illegible]	-2.7	31.6	-2.7	-	-	-
[illegible]	(Y)	100.255	-0.105	[illegible]	100.480	99.9900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(M$)	2.5643	-0.0002	638 - 648	2.5648	[illegible]	[illegible]	1.4	[illegible]	[illegible]	[illegible]	-0.8	-
New Zealand	[illegible]	1.5827	-0.0015	820 - 839	1.5853	1.5820	1.5837	-0.7	1.5861	-0.9	1.5951	-0.8	-
Philippines	(Peso)	23.8750	-0.175	500 - 000	24.0000	23.7500	-	-	-	-	-	-	-
Saudi Arabia	[illegible]	3.7507	-0.0002	505 - [illegible]	[illegible]	[illegible]	[illegible]	-1.1	3.7611	-1.1	[illegible]	-0.7	-
[illegible]	(S$)	1.4646	-0.0027	641 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4	1.4431	[illegible]	-
S Africa (Com.)	(R)	3.5610	-0.004	602 - 617	[illegible]	[illegible]	[illegible]	-5.2	3.6086	-5.3	[illegible]	[illegible]	-
[illegible]	(R)	4.1650	+0.033	530 - 750	4.1750	4.1400	[illegible]	-8.1	[illegible]	-7.6	4.475	-7.4	-
South Korea	(Won)	791.250	-0.3	200 - 300	791.800	791.200	[illegible]	-4.5	797.75	-3.3	816.25	-3.2	-
Taiwan	(T$)	26.2975	-0.0163	950 - 000	26.3100	26.2900	[illegible]	[illegible]	[illegible]	-0.9	-	-	-
[illegible]	(Bt)	25.0750	-0.02	650 - 850	25.0900	25.0650	[illegible]	-1.4	25.1955	-1.9	[illegible]	-2.1	-

†SDR rate for Dec 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 5. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 6	[illegible]	One month	Three mths	Six mths	One year	Lomb. inter.	[illegible] rate	[illegible] rate
Belgium	4¾	5⅜	5⅝	5¾	6⅛	7.45	4.50	-
week ago	4¾	5⅜	5⅝	5⅞	6	7.40	4.50	-
France	[illegible]	5⅛	5⅝	5⅝	6⅛	5.00	-	6.75
week ago	5⅝	5⅛	5⅝	5⅝	6⅛	5.00	-	6.75
Germany	5.05	5.23	5.23	[illegible]	[illegible]	6.00	[illegible]	4.85
week ago	5.75	5.23	5.18	5.25	5.55	6.00	[illegible]	4.85
Ireland	5⅝	5⅝	5⅝	6⅛	7⅛	-	-	6.25
week ago	5⅛	5⅝	5⅝	6⅛	7⅛	-	-	6.25
Italy	8⅝	8⅝	8⅝	9⅛	9⅝	-	7.50	8.20
week ago	8⅝	8⅝	[illegible]	9⅛	[illegible]	-	7.50	[illegible]
[illegible]	4.84	5.31	6.09	5.48	5.83	-	4.25	-
week ago	4.85	5.31	5.25	5.38	5.73	-	5.25	-
Switzerland	3⅞	4⅛	4⅛	4⅛	4⅛	6.625	3.50	-
week ago	[illegible]	4⅛	4	4⅛	4⅝	6.625	[illegible]	-
[illegible]	5⅝	6⅛	[illegible]	6⅝	7⅛	-	4.75	-
week ago	5⅝	6⅛	6	6⅛	7	-	4.75	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	6⅛	6⅝	6⅝	7⅛	-	-	-
week ago	-	6⅛	6⅛	6⅝	7⅛	-	-	-
US Dollar CDs	-	5.81	6.13	6.60	7.28	-	-	-
week ago	-	5.81	5.89	6.07	6.85	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3⅝	4	-	-	-
week ago	-	3⅝	3⅞	3⅝	4	-	-	-

ECU Linked Ds mid rates: 1 mth 5[illegible]; 3 mths 5[illegible]; 6 mths 6[illegible]; 1 year 6[illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and Natwest Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅛ - 6	5½ - 5⅜	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼	6⅞ - 6¾
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	5⅛ - 5	5⅛ - 5	5⅛ - 5	5⅜ - 5¼	5⅝ - 5½	6 - 5⅞
Dutch Guilder	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5¼	5⅞ - 5¾	6⅛ - 6
French Franc	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5¾	6⅛ - 6
Portuguese Esc.	8⅞ - 8⅝	9 - 8¾	9⅞ - 9⅝	10⅜ - 10⅛	10⅞ - 10⅝	10⅞ - 10⅝
Spanish Peseta	7⅛ - 7	7⅜ - 7⅛	7⅝ - 7⅜	8⅛ - 7⅞	8½ - 8¼	9⅛ - 8⅞
Sterling	5 - 4⅞	5⅞ - 5⅝	5⅞ - 5⅝	6⅜ - 6¼	6⅞ - 6⅝	7⅝ - 7½
Swiss Franc	3⅞ - 3¾	3⅞ - 3¾	4 - 3⅞	4⅛ - 4	4⅝ - 4½	4⅞ - 4¾
Can. Dollar	5⅝ - 5⅜	5⅝ - 5½	5⅞ - 5⅝	6⅜ - 6⅛	6⅞ - 6¾	7⅝ - 7⅜
US Dollar	5⅝ - 5½	5⅝ - 5½	6⅛ - 6	6⅝ - 6½	6⅞ - 6¾	7⅜ - 7¼
Italian Lira	9 - 7½	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅝	9⅜ - 9⅛	9⅞ - 9⅝
Yen	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅝ - 2½
Asian $Sing	3⅞ - 3¾	4⅛ - 4	4⅛ - 4	4⅜ - 4¼	4⅝ - 4½	4⅞ - 4¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	[illegible]	94.29	-0.07	94.34	94.26	13,443	34,047
[illegible]	94.06	93.92	-0.18	94.06	93.89	57,725	51,564
[illegible]	93.67	93.55	-0.15	93.67	93.49	18,292	34,421
[illegible]	[illegible]	93.35	-0.15	93.35	93.21	7,519	23,340

■ THREE MONTH EURODOLLAR (LIFFE)* $[illegible]

	Open	Sett price	[illegible]	High	Low	Est. vol	Open int.
[illegible]	[illegible]	[illegible]	-	[illegible]	93.51	60	[illegible]
Mar	[illegible]	[illegible]	[illegible]	92.70	[illegible]	[illegible]	[illegible]
Jun	92.20	92.27	[illegible]	92.20	92.19	[illegible]	380
[illegible]		[illegible]	-0.02			[illegible]	177

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
[illegible]	[illegible]	94.62	[illegible]	[illegible]	94.57	[illegible]	175878
Mar	94.[illegible]	94.49	[illegible]	[illegible]	94.45	[illegible]	181012
Jun	[illegible]	94.15	-0.10	94.23	94.12	49016	[illegible]
Sep	[illegible]	93.84	-0.09	93.89	93.80	25143	83803

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Dec	[illegible]	91.03	-0.16	91.17	90.99	7045	28594
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10320	[illegible]
[illegible]	90.03	89.98	-0.16	[illegible]	[illegible]	2893	16643
[illegible]	89.62	[illegible]	-0.15	[illegible]	[illegible]	1249	[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	[illegible]	High	[illegible]	[illegible] vol	Open int.
[illegible]	95.69	95.74	-	[illegible]	95.66	3098	13717
Mar	[illegible]	95.44	-	[illegible]	[illegible]	4873	20049
Jun	[illegible]	[illegible]	-	95.16	95.09	1748	7007
[illegible]	[illegible]	[illegible]	+0.03	94.93	94.90	1026	2629

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	[illegible]	[illegible]	High	[illegible]	Est. vol	Open int.
Dec	[illegible]	93.87	-0.07	[illegible]	93.82	858	7856
Mar	[illegible]	93.56	-0.12	[illegible]	93.52	1770	9480
Jun	[illegible]	[illegible]	-0.09	[illegible]	93.08	465	4158
Sep	92.69	92.68	-0.08	92.69	92.64	183	2682

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 6		BFr	[illegible]	FFr	DM	[illegible]	L	Fl	[illegible]	[illegible]	[illegible]	[illegible]	SFr	£	C$	$	Y	Ecu
Belgium	[illegible]	100	[illegible]	16.70	[illegible]	2.023	5027	5.448	[illegible]	[illegible]	408.1	23.27	[illegible]	[illegible]	[illegible]	3.093	310.1	2.547
Denmark	(DKr)	52.53	10	8.772	2.555	1.062	2640	2.862	11.13	261.2	214.3	12.22	2.155	1.040	2.232	1.625	162.9	1.338
France	(FFr)	59.88	11.40	10	2.913	1.211	3010	3.262	[illegible]	[illegible]	244.3	13.94	2.456	[illegible]	2.544	1.852	185.7	1.525
Germany	(DM)	20.56	3.914	[illegible]	1	0.416	1033	1.120	[illegible]	[illegible]	83.89	[illegible]	0.843	[illegible]	0.873	0.636	[illegible]	0.524
Ireland	[illegible]	49.44	[illegible]	[illegible]	2.405	1	2485	2.694	[illegible]	245.9	201.8	11.51	2.028	0.978	2.101	1.529	153.3	1.259
Italy	[illegible]	1.989	[illegible]	[illegible]	0.097	0.040	100.	0.108	[illegible]	9.894	8.118	0.463	0.082	0.039	0.085	0.062	6.169	0.051
Netherlands	(Fl)	[illegible]	3.494	[illegible]	[illegible]	0.371	922.8	1	3.990	91.28	[illegible]	4.272	0.753	0.363	[illegible]	0.568	56.92	0.467
[illegible]	(NKr)	[illegible]	8.982	7.880	2.295	0.954	2372	[illegible]	10	[illegible]	[illegible]	10.98	1.936	[illegible]	2.005	1.459	146.3	1.202
[illegible]	(Es)	20.11	3.828	[illegible]	0.978	0.407	1011	[illegible]	4.262	100.	82.05	4.680	0.825	[illegible]	0.854	[illegible]	62.36	0.512
Spain	(Pta)	24.51	4.665	4.093	1.192	[illegible]	1232	1.336	5.194	121.9	[illegible]	[illegible]	[illegible]	0.485	1.041	0.758	[illegible]	[illegible]
Sweden	(SKr)	[illegible]	8.180	[illegible]	2.090	[illegible]	2160	[illegible]	9.107	[illegible]	175.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	133.2	[illegible]
Switzerland	(SFr)	[illegible]	4.641	4.071	1.186	[illegible]	1225	1.328	5.166	[illegible]	[illegible]	5.673	1	0.482	[illegible]	0.754	75.59	0.621
UK	(£)	[illegible]	9.620	8.439	[illegible]	1.022	[illegible]	2.753	10.71	251.2	206.2	11.76	2.073	1	2.147	[illegible]	[illegible]	[illegible]
Canada	(C$)	[illegible]	[illegible]	3.931	[illegible]	0.476	1183	1.282	4.985	117.0	96.04	5.477	0.966	0.466	1	0.728	72.99	0.599
US	($)	32.33	[illegible]	5.399	1.573	[illegible]	[illegible]	1.761	6.852	[illegible]	[illegible]	[illegible]	1.328	0.640	1.374	1	[illegible]	0.823
Japan	(Y)	32.25	[illegible]	[illegible]	[illegible]	0.652	1621	1.757	6.835	[illegible]	131.6	[illegible]	[illegible]	0.638	1.370	0.997	100.	0.821
Ecu		[illegible]	7.475	6.557	[illegible]	[illegible]	1974	2.139	[illegible]	195.3	[illegible]	9.139	[illegible]	0.777	[illegible]	[illegible]	[illegible]	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6361	0.6369	[illegible]	[illegible]	0.6361	33,602	[illegible]
Mar	0.6391	0.6394	[illegible]	[illegible]	0.6392	8,761	22,856
Jun	0.6422	[illegible]	[illegible]	0.6422	0.6420	140	1,656

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	[illegible]	1.0001	[illegible]	1.0010	0.9985	28,334	72,329
Mar	1.0060	1.0095	[illegible]	1.0110	1.0060	11,239	28,385
Jun	1.0224	1.0223	[illegible]	1.0224	1.0223	94	1,344

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Dec	0.7540	[illegible]	[illegible]	[illegible]	0.7540	[illegible]	[illegible]
Mar	0.7589	[illegible]	[illegible]	0.7610	0.7598	[illegible]	[illegible]
Jun	0.7656	0.7652	[illegible]	[illegible]	[illegible]	136	469

■ STERLING FUTURES (IMM) £62,[illegible] per £

Dec	1.5588	1.5632	+0.0060	1.5646	1.5570	[illegible]	47,108
[illegible]	1.5606	1.5626	+0.0056	1.5638	1.5606	[illegible]	13,294
Jun	-	1.5630	-	1.5640	-	[illegible]	155

UK [illegible]TEREST RATES

LONDON MONEY RATES

Dec 6	Over-[illegible]	7 days [illegible]	One month	[illegible]	[illegible]	One [illegible]
Interbank Sterling	5¼ - 2	5⅞ - 5	5⅞ - 5¾	6⅞ - 6⅝	7 - 6⅞	7⅝ - 7½
Sterling CDs	-	-	5⅞ - 5¾	6⅜ - 6¼	6⅞ - 6¾	7⅞ - 7⅝
Treasury Bills	-	-	5⅞ - 5¾	[illegible] - 6	-	-
Bank Bills	-	-	5⅞ - 5¾	6⅛ - 6	6⅞ - 6⅝	-
Local authority deps.	5⅛ - 5⅛	5⅞ - [illegible]	5⅞ - 5¾	6⅛ - 6	6⅞ - 6⅝	7⅝ - 7½
[illegible] Market [illegible]	4⅞ - 4⅛	[illegible] - 5	-	-	-	-

UK clearing bank [illegible] lending [illegible] [illegible] per [illegible] [illegible] September [illegible] [illegible]

	Up to 1 month	[illegible] month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	[illegible]	3¼	[illegible]	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 5.8580pc. [illegible] fixed rate Stg. Export Finance. Make up day Nov 30, 1994. A[illegible]d rate for period Dec 26, 1994 to Jan 24, 1995, Schemes II & III 7.38pc. Reference rate for period [illegible] 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	[illegible]	Sett price	Change	[illegible]	Low	Est. vol	Open int.
Dec	[illegible]	93.44	-0.06	93.50	93.42	[illegible]	[illegible]
Mar	[illegible]	92.50	[illegible]	92.61	[illegible]	[illegible]	88404
Jun	92.03	[illegible]	[illegible]	[illegible]	[illegible]	21330	60496
Sep	[illegible]	91.48	-0.20	91.64	91.40	[illegible]	64851

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS [illegible]	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.23	0.05	0.07	0.04	0.80	1.40
[illegible]	0.08	0.02	0.04	0.14	1.02	1.62
9375	0.02	0.01	0.02	0.33	1.26	1.85

Est. vol. total, Calls 21717 Puts 18303. Previous day's open int., Calls [illegible] Puts 241314

EMS EUROPEAN CURRENCY UNIT RATES

Dec 6	Ecu cen. rates	Rate against Ecu	Change on [illegible]	% +/- from [illegible]	% spread v weakest	Div. ind.
[illegible]	[illegible]	[illegible]	-0.00162	-2.45	6.62	-
[illegible]	[illegible]	[illegible]	[illegible]	-2.12	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	-1.84	5.97	-
Ireland	0.808628	[illegible]	+0.002532	-1.62	5.73	11
France	6.53883	[illegible]	-0.00401	0.61	3.49	-4
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	3.26	[illegible]
Portugal	[illegible]	[illegible]	-0.181	[illegible]	2.61	[illegible]
[illegible]	154.250	[illegible]	-0.041	[illegible]	0.00	-28
NON ERM MEMBERS						
Greece	264.513	[illegible]	[illegible]	[illegible]	[illegible]	-
Italy	[illegible]	[illegible]	[illegible]	10.16	-5.59	-
UK	[illegible]	[illegible]	+0.001[illegible]	-0.84	4.90	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]ercentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the [illegible] between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible] Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
[illegible]	3.74	4.11	4.55	-	0.40	0.88
1.550	1.54	2.36	2.91	0.22	1.07	1.70
1.575	0.26	1.12	1.74	1.43	2.32	2.90
1.600	-	0.44	0.93	[illegible]	4.07	4.57
1.625	-	[illegible]	0.45	[illegible]	6.24	[illegible]
1.650	-	-	0.18	8.66	8.56	8.71

Previous day's vol., Calls 4,281 Puts 3,205. Prev. day's open int., Calls [illegible] Puts 351,700

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	[illegible]	[illegible]	High	Low	Est. vol	Open int.
Dec	93.50	93.55	+0.04	93.56	[illegible]	87,584	[illegible],585
Mar	92.69	92.75	+0.06	92.77	[illegible]	234,435	[illegible],755
Jun	92.17	[illegible]	[illegible]	92.27	92.15	184,216	371,203

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Dec	[illegible]	[illegible]	[illegible]	94.20	94.17	2,934	[illegible]
Mar	[illegible]	[illegible]	+0.06	93.33	93.28	2,577	[illegible]
Jun	92.92	[illegible]	[illegible]	[illegible]	92.80	1,261	2,952

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9450	0.15	0.11	0.14	[illegible]	0.03	0.12	0.15	0.17
9475	0.03	0.03	0.05	0.07	0.16	0.29	0.31	[illegible]
9500	0	0.01	0.02	0.03	0.38	0.52	0.53	[illegible]

Est. vol. total, Calls 10242 Puts 11931. Previous day's open int., Calls 231621 Puts 209501

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9550	0.26	[illegible]	[illegible]	0.02	0.21	0.48
9575	0.05	0.06	0.07	0.06	0.37	0.67
9600	0.02	0.02	0.03	0.28	0.58	0.89

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2815 Puts 1815

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	5.75
CL Bank Nederland	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	6.75
Financial & Gen Bank	6.5
●Robert Fleming & Co	5.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk.	5.75
●Hill Samuel	5.75
C. Hoare & Co	5.75
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
* Mount Banking	6
NatWestminster	5.75
●Rea Brothers	5.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Royal Bk of Scotland	5.75
●Smith & Williamson Secs.	5.75
TSB	5.75
●United Bk of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 6 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 6 / Frs.)

[illegible]

DENMARK (Dec 6 / Kr)

[illegible]

FINLAND (Dec 6 / Mks)

[illegible]

FRANCE (Dec 6 / Frs.)

[illegible]

GERMANY (Dec 6 / Dm.)

[illegible]

ITALY (Dec 6 / Lire)

[illegible]

NETHERLANDS (Dec 6 / Fls.)

[illegible]

NORWAY (Dec 6 / Kroner)

[illegible]

SPAIN (Dec 6 / Pts.)

[illegible]

SWEDEN (Dec 6 / Kronor)

[illegible]

SWITZERLAND (Dec 6 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 6 / Yen)

[illegible]

AUSTRALIA (Dec 6 / Aust$)

[illegible]

HONG KONG (Dec 6 / H.K.$)

[illegible]

MALAYSIA (Dec 6 / MYR)

[illegible]

SINGAPORE (Dec 6 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 6 / Can $)

4 pm close

[illegible]

MONTREAL (Dec 6 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 6 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Tuesday, December 6, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Pacific Metals	3.7m	530	–5	Honshu Paper	3.3m	694	+17
Kawasaki Steel	3.6m	411	+5	Nomura Secs	3.0m	2090	+20
NKK	3.5m	278	+6	Hitachi	2.9m	967	+2
Toshiba	3.4m	731		Nippon Oil	2.5m	676	–4
Mitsubishi Hvy	3.3m	750	+1	Kawasaki Hvy Ind	2.4m	450	+1

INDICES

	Dec 6	Dec 5	Dec 2	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	17768.82	17898.13	25478.40	10/2	16782.81	29/11
Australia							
All Ordinaries(1/1/80)	1891.2	1897.5	1890.1	2340.60	3/2	1857.10	23/11
All Mining(1/1/80)	881.2	943.6	937.8	1136.10	3/2	894.80	5/5
Austria							
Credit Aktien(30/12/84)	392.05	393.76	388.58	480.86	2/2	378.84	25/10
Traded Index(2/1/91)	1044.82	1050.47	1038.25	1222.25	1/2	1011.26	6/6
Belgium							
BEL20 (1/1/91)	1406.34	1413.63	1408.02	1542.65	9/2	1338.39	7/10
Brazil							
Bovespa (29/12/83)	(u)	46314.0	45254.0	50110.00	12/9	3880.90	3/1
Canada							
Metals Mints♦(1975)	(u)	4055.06	4042.58	4276.82	20/10	3209.66	20/4
Composite♦ (1975)	(u)	4086.56	4093.00	4609.90	23/3	3959.90	24/6
PortfolioSS (4/1/83)	(u)	1981.94	1994.23	2182.68	1/2	1889.46	28/6
Chile							
IPGA Gen (31/12/80)	(u)	5549.9	5540.3	5754.40	21/11	3881.20	4/4
Denmark							
CopenhagenSE(3/1/83)	340.86	343.32	342.46	418.76	2/2	337.18	8/11
Finland							
HEX General(28/12/90)	(c)	1881.5	1864.2	1972.86	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1287.85	1302.63	1305.90	1585.20	2/2	1227.88	25/10
CAC 40(31/12/87)	1968.95	1973.65	1982.71	2355.93	2/2	1894.42	25/10
Germany							
FAZ Aktien(31/12/58)	772.27	778.10	769.33	869.27	18/5	742.04	5/10
Commerzbank(1/12/53)	2201.1	2216.6	2191.9	2465.50	2/5	2116.30	5/10
DAX (30/12/87)‡	2046.86	2071.12	2038.51	2271.11	18/5	1969.59	7/10
Greece							
Athens SE(31/12/80)	873.34	871.56	854.14	1194.55	18/1	804.37	22/11
Hong Kong							
Hang Seng(31/7/64)	8332.85	8302.53	8221.56	12201.09	4/1	8221.56	2/12
India							
BSE Sens.(1979)	4040.37	4084.20	4077.46	4820.57	12/9	3494.09	5/1
Indonesia							
Jakarta Comp.(10/8/82)	468.39	470.59	471.05	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1798.05	1813.63	1807.29	2082.76	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	615.36	629.80	631.45	817.17	10/5	588.65	10/1
MIB General (4/1/94)	995.0	1020.0	1022.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19340.47	19305.66	18998.30	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	283.35	282.52	279.22	311.71	13/6	258.22	4/1
Topix (4/1/68)	1535.49	1531.86	1515.85	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2106.72	2108.46	2100.97	2542.85	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	953.69	963.66	977.74	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2521.42	2537.46	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	436.4	436.7	436.8	464.90	31/1	406.30	21/6
CBS All Shr (End 83)	273.8	275.2	274.0	294.90	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	1941.45	1939.36	1942.59	2439.64	3/2	1939.36	5/12
Norway							
Oslo SE(Ind)(2/1/83)	1098.78	1104.29	1100.58	1211.10	28/2	988.91	21/6
Philippines							
Manila Comp (2/1/85)	2866.65	2882.71	2898.75	3368.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2961.1	2961.7	2959.0	3228.60	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	528.72	529.66	530.10	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	1881.8♥	1861.1	1911.4	2534.00	7/9	1749.00	14/2
JSE Ind. (28/9/78)	6916.5♥	6912.5	6879.8	6984.10	22/11	5446.00	19/1
South Korea							
KoreaCompEx(4/1/80)**	1075.01	1065.03	1053.83	1138.75	8/11	855.37	2/4
Spain							
Madrid SE (30/12/85)	(c)	304.66	301.92	358.31	31/1	290.65	26/10
Sweden							
AffarsvarldnGen (1/2/37)	1493.10	1501.0	1496.9	1808.99	31/1	1334.70	8/7
Switzerland							
Swiss Bk Ind (31/12/58)	1212.00	1223.08	1210.77	1423.94	31/1	1138.72	27/10
SBC General (1/4/87)	915.57	922.20	913.16	1089.29	31/1	850.57	27/10
Taiwan							
WeightedPr.(30/6/66)**	5709.47	5750.22	6479.82	7191.13	30/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1342.59	(c)	1338.11	1753.73	4/1	1169.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	28400.2	28652.0	29145.1	29145.10	2/12	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	606.4*	610.4	607.3	649.90	2/11	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1336.78	1353.74	1342.92	1540.18	31/1	1286.48	5/10
Euro Top-100 (26/6/90)	1175.22	1185.20	1178.38	1311.01	2/2	1136.46	5/10
JCapalDrgns (31/12/88)	(u)	301.44	298.99	385.18	5/1	280.28	21/3
Barings Emerg.(7/1/92)	171.43	170.87	171.95	191.78	28/9	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1980.0	1978.0	-3.0	1980.0	1961.0	20,755	32,489
Jan	1988.5	1985.5	-3.0	1987.0	1972.5	226	743
Mar	2004.0	2003.5	-3.0	2005.0	1990.5	979	7,437

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 5	Dec 2	Dec 1	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3741.92	3745.62	3700.87	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.02	93.89	93.83	105.81 (21/1)	93.61 (28/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1443.15	1436.40	1431.04	1862.29 (2/2)	1422.19 (23/11)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	180.40	178.41	177.04	227.06 (6/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3779.98 (3756.04) Low 3715.67 (3690.68) (Theoretical♦)
Day's high 3763.11 (3748.29) Low 3727.11 (3690.44) (Actual♦)

Standard and Poors	Dec 5	Dec 2	Dec 1	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	453.32	453.30	448.92	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	538.12	538.83	533.72	563.19 (28/10)	510.05 (21/4)	563.19 (28/10/94)	3.62 (21/6/32)
Financial	41.48	41.26	40.75	48.94 (14/6)	39.87 (22/11)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	248.06	248.01	246.04	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	432.25	432.46	431.19	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	745.71	745.02	740.01	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 2	Nov 25	Nov 18	Year ago
Dow Jones Ind. Div. Yield	2.84	2.87	2.79	2.70
	Nov 30	Nov 23	Nov 16	Year ago
S & P Ind. Div. yield	2.46	2.48	2.38	2.40
S & P Ind. P/E ratio	18.42	18.29	19.03	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	454.05	452.50	-1.55	454.15	451.05	78,6389	185,186
Mar	455.50	455.75	-1.45	455.75	455.20	17,750	79,388
Jun	460.05	459.70	-1.35	460.05	459.70	672	5,540

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Hanson	8,355,600	18⅝	—
RJR Nabisco	4,323,900	6⅝	-1/64
A T & T	3,434,600	47⅞	-⅛
Compaq	3,324,500	40⅜	+⅜
Gen Motors	2,810,200	38	+⅜
PPG Inds	2,683,400	35⅝	-1¾
McDonalds	2,352,600	28⅝	—
Chrysler	2,120,000	49⅝	+1⅛
IBM	2,049,500	71½	+⅛
Merck	2,002,700	37⅛	—

■ TRADING ACTIVITY

● Volume (million)

	Dec 5	Dec 2	Dec 1
New York SE	258.487	284.745	282.296
Amex	18.852	14.761	16.988
NASDAQ	221.547	230.657	252.799
NYSE			
Issues Traded	2,928	2,915	2,928
Rises	1,184	1,425	675
Falls	1,050	870	1,553
Unchanged	694	620	700
New Highs	11	4	9
New Lows	103	130	135

** Sat Dec 2 : Taiwan Weighted Price 6479.82; Korea Comp Ex 1054.03. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 6 – 2046.89 -20.27

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close December 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Prices	Chng Prev. Close
17⅞	11⅞	AAR	0.48	3.7	22	52	13	12⅞	12⅞	-⅛
18⅛	12⅝	A L Labs A	0.18	1.1	38	72	17⅜	17	17	-¼
79⅝	57⅝	AMP	1.68	2.4	21	1163	71¼	70¾	71	-⅛
72¾	48⅛	AMR			107	3062	52⅛	50⅝	50¾	-1⅛
6	3⅜	ARX			12	95	3⅞	3¾	3¾	
58⅛	38⅝	ASA	2.00	4.7	28	1141	42½	41½	42⅜	+¼
33	25⅜	Abbott	0.76	2.3	17	8858	32⅝	31⅞	32⅝	+⅝
15¼	11⅜	Abitibi Pr	0.50	3.8	11	81	13¼	13⅛	13⅛	-⅛
23⅝	17¾	ABM Ind	0.52	2.4	13	24	21⅜	21¼	21⅜	+¼
18	11⅛	Acptncdn			19	144	14⅛	13¾	13⅞	+¼
31	20¾	ACE Ltd	0.44	2.0	21	92	22¾	22¼	22¼	-¾
12½	9	ACM Gvt In x	1.09	11.4	6	636	9⅝	9½	9⅝	+⅛
10⅛	6⅞	ACM GrOpp x	0.80	11.2		199	7¼	7⅛	7⅛	-⅛
10⅝	6¾	ACM Gvt Sp x	0.96	12.8		416	7½	7⅜	7½	
12	7⅞	ACM Gvt Se x	1.08	12.3		573	8⅞	8¾	8⅞	+⅛
11¾	7⅜	ACM Man x	1.08	12.8		198	8½	8⅜	8⅜	-⅛
9¾	8	ACM Managd x	0.72	8.9		202	8⅜	8¼	8⅛	-⅛
15½	8¾	AcmeClv	0.44	3.8	23	123	11½	11¼	11½	+½
13⅞	6½	Acme Elect			13	116	13⅛	12⅝	13⅛	+⅛
28¾	23	Acordia	0.60	2.0	15	5	29⅝	29⅝	29⅝	+⅛
13¾	5¾	Actava	0.38	3.9	2	140	9½	9¼	9¼	-⅜
18⅜	11¼	Acuson			28	769	18⅛	15⅝	18⅛	+½
18⅛	15½	Adams Expr	0.68	4.3	0	182	16⅞	15¾	15¾	-⅛
[illegible]										

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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NYSE COMPOSITE PRICES

4 pm close December 6

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 6

AMEX COMPOSITE PRICES

4 pm close December 6

FINANCIAL TIMES

Wednesday December 7 1994

AMERICA

Dow drops before turning more positive

Wall Street

US share prices were mixed after bouncing back from early morning lows on the heels of bond prices that rose across the maturity spectrum, *writes Lisa Bransten in New York.*

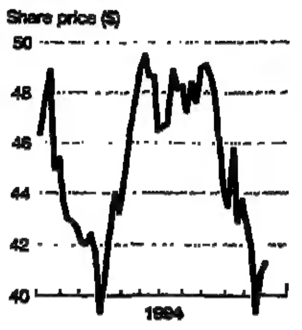
By 1 pm, the Dow Jones Industrial Average was up 0.38 at 3,742.25. Secondary indices were mixed, with the more broadly based Standard & Poor's 500 up 0.22 at 453.55, the American Stock Exchange composite down 1.81 at 430.44 and the Nasdaq composite 1.15 lower at 744.56. Trading volume on the NYSE was at 155m shares by 1 pm.

Prices opened lower and the Dow dropped by nearly 20 points in early trading before turning positive. Analysts speculated that the drop might have been due to the announcement late on Monday by Fidelity Investments – the largest mutual fund company in the US – that its Magellan Fund would not make a previously-announced year-end distribution.

Analysts worried that individual investors, who had flocked to mutual funds in recent years, might shift to fixed income instruments where yields were becoming increasingly attractive.

But rising bond prices pulled up the stock market. The Dow began to pick up as increases in bond prices gained momentum late in the morning.

BankAmerica



Source: FT Graphite

Recent gains by the dollar also encouraged share prices. Although the currency was down from Monday's highs, it rebounded early in the morning from session lows against the Japanese yen and the D-Mark, bringing share prices up with it.

The resignation of the Treasury Secretary, Mr Lloyd Bentsen, went all but unnoticed by the market because the move was widely anticipated by investors.

Among individual shares, BankAmerica lost $⅜ at $41 after an analyst at PaineWebber downgraded the shares to "neutral" from "buy" on the basis of slower than expected loan growth. Mr Lawrence Cohn also cut his 1994 earnings estimate by 15 cents to $5.35 per share.

Other banking stocks were mixed. Chase Manhattan Bank gained $¼ at $35⅞ and Citicorp rose $⅛ at $41¼, while NationsBank dropped $⅛ at $45⅝ and First Chicago fell $¼ at $46⅝.

Borden fell $⅛ at $13⅛ after the company rejected overtures from Mr Paul Kazarian, a would-be suitor for the beleaguered company.

High technology shares were mixed. IBM gained $⅛ at $71⅝, Compaq Computer rose $1 at $41⅞ and Apple Computer climbed $1⁄16 at $37⅞. Dell Computer was unchanged at $42⅝, Hewlett-Packard lost $⅛ at $97⅝, Digital Equipment fell $⅝ at $33 and Unisys shed $⅛ at $9⅛.

Canada

Toronto was lower at midday, the TSE 300 composite index losing 12.19 at 4,084.37 in volume of 22.5m shares, with only three of the 14 sub-group indices managing to show gains. The strong sectors included real estate, 40.89 ahead at 2,079.97, as Bramalea climbed 20 cents to C$1.72.

The gold and precious metals group led weak indices, falling 91.80 to 8,437.62. Metals and mining receded 24.23 to 4,030.85, pulled down by the heavily weighted Inco, which declined C$⅛ to C$38⅝.

Light trade in Brazil

Shares in São Paulo were off slightly by midday, with many investors remaining reluctant to take a position ahead of futures and options settlements over the forthcoming week.

The Bovespa index had declined 90 to 46,224 by 1 pm in turnover of R$194.4m ($229.5m).

Analysts said that the market was also digesting a central bank decision on Monday to create new reserve requirement rules for some credit operations.

Reports that the central bank had intervened in the money market, repurchasing securities in a forward operation at 5.20 per cent for December 9, down from the current rate of 5.45 per cent, failed to excite much interest.

The move was interpreted as a signal that the government would lower nominal interest rates on expectations of falling inflation data for December.

Venezuela

Caracas finished little changed in light dealings, the Merinvest composite index slipping 0.96 to 120.53. Electricidad de Caracas closed 4 bolivars down at 215 bolivars.

S Africa steady after rally

Softer London equities and continued gold price weakness eroded early steady sentiment to leave Johannesburg little changed, and with minimal clarity on short term direction. A weaker financial rand, however, provided some support for shares.

The overall index finished 3.2 ahead at 5,722.5, off an early high of 5,741.6. Industrials ended 4.0 better at 6,916.5 and golds gained a slight 0.7 at 1,881.8.

De Beers picked up 50 cents to R90.50 following news that a price fixing case against General Electric, in which De Beers was implicated, had been dropped in the US. Anglos lost R1.50 at R226.50.

EUROPE

Transatlantic influences trip bourses into decline

Transatlantic news was not good for Continental equities yesterday, *writes Our Markets Staff.* Fidelity Investments' nil payout for its Magellan Fund hit shares around the world; and European bond markets, in consolidation, heard the Salomon Brothers chief economist predict that the Fed will boost short-term interest rates by 100 to 150 basis points by the middle of next year.

Turning to Europe, Salomon saw growth there exceeding expectations, prompting Germany's Bundesbank to tighten in the first half of 1995.

FRANKFURT started comfortably, but Fidelity rumours, poorer than expected results from Dresdner Bank and options-oriented selling in Siemens combined to leave the Dax index down 24.99 to 2,046.33; there was little recovery after hours.

Turnover rose from DM5bn to DM5.3bn. Dresdner's problems in derivatives, reflected in its own-account trading losses against a profit last year, left the shares down DM7.50 to DM408.50 in the Ibis and soured Commerzbank, down DM7.60 to DM320, and Deutsche Bank, DM12.10 off at DM735.90 ahead of its own 10-month figures today.

Siemens recovered from a session close of DM598.50, down DM12.50, to DM601, off DM8, after hours, stilling fears of a further drop after breaking down through the DM600 technical support level. The other main losses were in automotive stocks and engineers: Conti lost DM5.50 at DM213 after some selling recommendations, and MAM DM14 at DM398; Deutsche Babcock, after a disappointing look at 1995 last week, retreated DM5.50 to DM201.50, Linde DM20 to DM888 and Mannesmann DM8.40 to DM402.80.

MILAN fell 2.3 per cent as the market became embroiled in the fraught run-up to the resignation of Mr Antonio Di Pietro, the graft busting magistrate who became a national hero for his sustained assault on corruption in high places.

The Comit index shed 14.44 to 615.36 amid worries of further political uncertainty if Mr Di Pietro blamed pressure from Rome for his departure.

In the event, shares picked up from their lows after his resignation letter was viewed as even-handed, criticising political pressure from all sides.

Some analysts also drew comfort from news that Mr Di Pietro had requested a prison sentence in a corruption case for Mr Umberto Bossi, the leader of the Northern League and a coalition partner: they suggested that the development might persuade Mr Bossi to temper future criticism of Mr Silvio Berlusconi, the prime minister.

Against the lower trend, Montedison was unchanged at L1,138 after the European Court rejected an appeal by Union Carbide against the proposed joint venture with Shell.

PARIS worsened in the morning as the Fidelity news upset sentiment, but recovered its composure later. The CAC-40 index finished with a loss of 4.70 at 1,968.95, off a session low of 1,952 and just off a high of 1,970.

Smith Barney, of the US, initiated coverage of the two major oil stocks, Elf Aquitaine, off FFr1.00 at FFr386.40, and Total, down FFr3.90 to FFr328.

The broker said that it was recommending a neutral position in the former, but put out a buy note on Total, based on its depth of management expertise, strong balance sheet and exposure to growth markets in the Far East.

ZURICH picked up from the day's lows, which were a response to concerns about higher money market rates, after a better than expected early performance from Wall Street in the aftermath of the Magellan Fund news.

The SMI index finished 21.9 down at 2,589.1, after a low of 2,581.7 although trading volumes remained thin.

Financials were mixed, with CS Holding losing SFr10 to SFr541 and UBS bearers SFr16 lower at SFr1,134, amid suggestions that investors were switching to the insurance sector. Swiss Re led the insurers higher, picking up SFr14 to SFr787 as some dealers said that the company was buying back its own shares.

AMSTERDAM followed the downward trend and the Aex index gave up 2.17 to 411.18.

Kleinwort Benson yesterday upgraded the Netherlands from neutral to overweight, based on an expected revival of consumer confidence in 1995 and given the market's strong exposure to international consumer stocks. In contrast the broker reduced its exposure to the Dutch chemicals sector based on general worries regarding long-term valuations and concern that "the present boom in basic chemicals could be reversed in the first half of next year".

Ahold gave up 20 cents to Fl 61.20 following an impressive rise on Monday after third quarter figures, and, among the internationals, Royal Dutch slipped Fl 1.90 to Fl 186.90.

STOCKHOLM fell sharply, declines in Ericsson and Astra leading as the Affärsvärlden general index lost 17.90 or 1.2 per cent to 1,483.10 in turnover of SKr2.6bn.

The two heavyweight stocks were affected by separate downgrades. Ericsson, down SKr12.50 to SKr409 in the B shares, attracted a number of sell notes.

Astra, off SKr5 to SKr193, was affected by a note from Merrill Lynch. Ms Janet Dyson, Merrill's pharmaceuticals analyst, changed her opinion from "buy" to "take profits in the short term" on news that the US FDA was to suspend a review of the company's Asthma drug, Pulmicort Turbuhaler, pending further information. This suspension was likely to lead to a delay in the drug's approval of at least three months, with the consequent knock on effect on earnings by 1996, she added.

COPENHAGEN was depressed additionally by reports of financial problems at the Danish shipping and shipbuilding group, B & W, and the failure of a rescue plan. B & W B shares dropped DKr10 to DKr45, down from a year's high of DKr533 in February, as the KFX index declined 1.16 to 93.34.

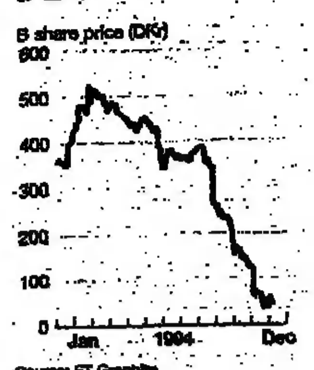
FT-SE Actuaries Share Indices

Dec 6							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1342.47	1340.12	1339.25	1336.65	1338.20	1336.06	1337.31	1336.78
FT-SE Eurotrack 200	1383.70	1382.21	1381.92	1380.99	1381.20	1381.52	1384.60	1382.95

	Dec 5	Dec 2	Dec 1	Nov 30	Nov 29
FT-SE Eurotrack 100	1353.74	1342.92	1344.45	1341.96	1333.87
FT-SE Eurotrack 200	1389.40	1380.97	1383.64	1387.14	1389.44

Base 1000 (26/10/90). Highday: 100 - 1342.47; 200 - 1384.60 Lowday: 100 - 1336.62 200 - 1380.06 † Partial

B & W



Source: FT Graphite

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei average firmer as Seoul continues to improve

Tokyo

The Nikkei 225 average saw an early loss erased and then added narrowly to Monday's gain shortly before the close. Activity was limited, as most investors remained absent, *writes Robert Patton in Tokyo.*

The 225 average, after trading down for most of the day, edged up slightly at the finish to gain 34.81 at 19,340.47.

Profit-taking, anticipated because of Monday's substantial move, never materialised. In early trading, block sales through Nikko Securities collided with index-linked buying, causing the market to slide to the day's low of 19,242.85 in the first 40 minutes of the morning. Within an hour the market rallied to a high of 19,342.85 but failed to follow through.

The Topix index of all first section stocks inched up 3.63 to 1,535.49 and the capital weighted Nikkei 300 crept forward 0.83 to 283.35.

First section volume, up from Monday's 206m shares, was an estimated 234m. Gainers maintained a slight lead over losers by 512 to 465, with 206 issues unchanged. In London the ISE/Nikkei 50 index slipped 5.69 to 1,269.91.

Most consumer electronics companies extended Monday's gains. JVC rose Y70 to Y1,430, Pioneer Y40 to Y2,830 and Matsushita Electric Industrial Y10 to Y5,810, but Sony dipped Y10 to Y5,510.

Sega Enterprises climbed for the eighth consecutive session, closing at Y5,570, up Y60. Nintendo also added to Monday's gain, firming Y10 to Y5,810.

In Osaka the OSE average advanced 45.28 to 21,320.58 in volume of 38.2m shares.

Roundup

The Pacific Rim markets turned in a set of mixed performances.

Asia Equity, however, offered evidence that the region's equity markets could put in a good year-end showing. According to precedent, claimed the broker, December and January had consistently produced the best monthly performances in a given year.

One of the drags on the region this year, the number of rights issues and IPOs issued in Indonesia, the Philippines and Thailand, was now expected to tail off, said Asia Equity, with far fewer cash calls likely, probably until the end of the first quarter of 1995.

SEOUL extended its uptrend to a third straight session, on renewed demand for blue chips after their recent falls, and the composite index moved 9.98 higher to 1,075.01 in spite of Won15bn worth of sell orders by the stock market stabilisation fund.

Samsung Electronics went the day's limit up, appreciating Won3,000 to Won118,500, while Kepco moved ahead Won800 to Won29,800.

HONG KONG finished modestly firmer in thin trade, with sharp early losses reversed on the strength of rebounding index futures.

The Hang Seng index put on 30.12 at 8,332.65, having fallen by 132 points at one stage. Turnover dipped to HK$2.6bn from Monday's HK$2.75bn.

TAIPEI was unable to sustain Monday's gain as investors decided to take profits. The weighted index was down 40.75 at 6,709.47 but after a 6,674.50 low. Turnover was heavy at T$87.7bn.

Profit-taking was mainly in financials, which had risen for the three previous sessions – Farmers Bank lost T$3.50 at T$58 and Chang Hwa Bank T$6 at T$194.

MANILA strengthened as blue chips were actively sought, and the composite index posted a rise of 32.92 at 2,655.63.

Brokers commented that buying was stimulated by the release of good economic indicators in recent days. The commercial-industrial sector index saw the session's biggest gain with a rise of 48.3 to 3,919.3.

KUALA LUMPUR was lower for the fourth trading day in a row amid foreign selling, particularly from Hong Kong, of Tenaga Nasional and Telekom Malaysia. The composite index ended 10.20 or 1.1 per cent down at 953.68.

Telekom declined 40 cents to M$17.20, still affected by rumours of a share placement, and Tenaga finished 30 cents cheaper at M$10.20.

SINGAPORE made little progress, with early gains pared on lack of trading interest, and the Straits Times Industrial index closed 1.50 up at 2,187.07, after reaching an intraday high of 2,196.31.

SYDNEY retreated as worries resurfaced regarding the direction of commodity prices and interest rates. The All Ordinaries index shed 6.3 to 1,891.2 in volume estimated at 206.5m shares.

KARACHI eased slightly amid thin volume on the first day of the new account. The KSE 100 index lost 12.81 at 2,127.44. Declining issues led advances by 200 to 109.

BOMBAY was 1 per cent lower after selling by domestic and foreign mutual funds, anxious to book profits, which took the BSE-30 index 43.86 down to 4,040.37.

Brokers noted that prices had fallen throughout the session, a day after the government announced the minimum bidding price of 42m shares in six state-owned companies.

COLOMBO fell for the second day running, the All Share index slipping 14.06 to 1,056.93 on retail selling, with local and foreign institutions on the sidelines due to political and economic uncertainties.

JAKARTA was marked down at the close, the official index dropping 4.19 to 466.38, amid worries over forthcoming new issues after the sharp fall of Indal Aluminium on its debut on Monday.

FT-Actuaries World Indices

The FT-Actuaries World Index Policy Committee has reviewed the issues raised by the prospective delisting from the Hong Kong Stock Exchange of Dairy Farm International Holdings, Hongkong Land Holdings, Mandarin Oriental International, Jardine Matheson Holdings and Jardine Strategic Holdings. The committee decided that under Section II (a) of the FT-AWI Construction and Maintenance Rules, the five should remain in the Hong Kong Index of FT-AWI.

Section II (a) states: "In most instances stocks are included in that country where the company is legally registered and recognised for taxation purposes including regulation of its financial affairs. Exceptions are made where the international market's recognition, the company's area of business or its market listings clearly suggest a different allocation."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 5 1994								FRIDAY DECEMBER 2 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	169.55	1.2	161.23	107.56	138.75	146.38	1.1	3.92	167.54	159.25	106.33	137.44	144.78	189.15	155.43	155.43
Austria (16)	180.02	1.7	171.19	114.20	147.32	147.24	1.2	1.10	177.05	168.29	112.36	145.23	145.44	198.89	167.46	177.17
Belgium (35)	169.11	0.9	160.81	107.28	138.39	134.98	0.6	4.09	167.60	159.30	106.36	137.48	134.16	177.04	156.71	156.71
Brazil (28)	170.40	2.8	162.04	108.10	139.45	267.55	2.2	0.77	165.79	157.58	105.22	135.99	261.68	–	–	–
Canada (103)	128.41	0.0	122.11	81.46	105.09	127.68	0.1	2.69	128.35	122.00	81.46	105.29	127.54	145.31	120.54	133.14
Denmark (33)	243.81	0.3	231.85	154.67	199.52	204.27	0.2	1.45	242.97	230.94	154.20	199.30	203.81	275.79	233.75	233.75
Finland (24)	181.01	0.7	172.13	114.83	148.13	185.30	0.5	0.78	179.70	170.80	114.04	147.40	184.40	201.41	116.65	121.00
France (102)	168.38	-0.2	160.12	106.82	137.80	142.78	-0.3	3.00	168.68	160.33	107.05	138.36	143.24	185.37	158.34	167.79
Germany (58)	139.16	1.7	132.33	88.28	113.88	113.88	1.4	1.82	136.86	130.08	86.86	112.26	112.26	150.40	128.37	133.86
Hong Kong (56)	330.45	0.9	314.23	209.63	270.43	328.20	0.9	3.77	327.43	311.22	207.80	268.59	325.29	506.56	327.43	380.10
Ireland (14)	198.86	0.3	189.10	126.15	162.74	182.63	0.3	3.49	198.33	188.51	125.87	162.69	182.04	216.60	176.63	178.50
Italy (59)	74.06	-0.5	70.43	46.98	60.61	89.52	-0.6	1.76	74.46	70.78	47.26	61.08	90.03	97.78	61.40	61.40
Japan (468)	153.74	1.1	146.20	97.53	125.82	97.53	1.1	0.79	151.99	144.47	96.46	124.68	96.46	170.10	127.18	136.06
Malaysia (97)	470.18	-1.9	447.11	298.28	384.78	464.39	-1.6	1.89	479.07	455.36	304.04	392.98	472.03	621.63	430.71	493.18
Mexico (18)	2061.46	-0.8	1960.29	1307.76	1687.00	7751.12	-0.7	1.32	2076.97	1974.12	1318.13	1703.69	7806.06	2647.08	1696.28	2102.23
Netherland (19)	211.16	0.6	200.80	133.96	172.81	169.89	0.4	3.40	209.94	199.55	133.24	172.21	169.19	223.30	191.28	192.07
New Zealand (14)	71.15	-0.2	67.66	45.14	58.23	59.94	-0.2	4.88	71.32	67.79	45.27	58.51	60.09	77.59	62.05	63.81
Norway (23)	203.81	0.4	193.81	129.29	166.79	189.50	0.3	1.74	202.94	192.89	128.79	166.47	189.02	211.74	168.11	169.25
Singapore (44)	361.38	0.7	343.65	229.26	295.75	244.36	0.4	1.75	358.98	341.21	227.82	294.47	243.46	401.38	294.66	321.01
South Africa (59)	323.64	-0.6	307.76	205.31	264.85	292.29	-0.1	2.24	325.48	309.36	206.56	266.99	292.42	342.00	205.55	222.80
Spain (38)	140.61	0.7	133.71	89.20	115.07	140.62	1.0	4.06	139.64	132.73	88.62	114.55	139.27	155.79	132.91	133.83
Sweden (36)	234.89	1.5	223.37	149.01	192.23	260.49	1.0	1.54	231.50	220.04	146.92	189.90	257.97	242.81	183.23	183.23
Switzerland (47)	161.26	1.4	153.34	102.30	131.96	132.78	1.2	1.83	159.08	151.22	100.97	130.50	131.23	176.56	149.91	152.15
Thailand (46)	154.95	-0.1	147.35	98.30	126.81	150.92	0.0	2.43	155.10	147.43	98.44	127.23	150.92	–	–	–
United Kingdom (204)	191.97	0.4	182.55	121.79	157.10	182.55	0.5	4.23	191.17	181.71	121.30	156.82	181.71	214.96	181.11	195.21
USA (513)	185.51	0.1	176.41	117.69	151.81	185.51	0.1	2.96	185.42	176.24	117.67	152.10	185.42	196.04	178.95	189.31
Americas (662)	173.48	0.1	164.96	110.05	141.96	144.26	0.1	2.88	173.35	164.77	110.02	142.20	144.16	–	–	–
Europe (708)	167.51	0.6	159.29	106.27	137.08	150.68	0.5	3.11	166.48	158.24	105.66	136.56	149.88	178.58	160.59	161.37
Nordic (116)	223.19	1.0	212.24	141.59	182.65	212.04	0.7	1.40	220.91	209.97	140.20	181.21	210.59	233.91	179.06	179.06
Pacific Basin (793)	161.29	1.0	153.38	102.32	132.00	106.55	1.0	1.17	159.66	151.75	101.33	130.97	105.51	176.66	141.04	145.98
Euro-Pacific (1501)	163.80	0.8	155.76	103.91	134.04	123.98	0.8	2.01	162.42	154.38	103.08	133.23	123.01	175.14	150.97	152.24
North America (616)	181.97	0.1	173.04	115.44	148.91	181.53	0.1	2.95	181.88	172.87	115.43	149.19	181.44	192.73	175.67	185.82
Europe Ex. UK (504)	150.60	0.7	143.21	95.54	123.24	131.37	0.6	2.46	149.50	142.10	94.88	122.63	130.62	158.12	140.26	140.26
Pacific Ex. Japan (325)	236.58	0.3	224.97	150.08	193.61	207.86	0.3	3.21	235.81	224.14	149.66	193.43	207.23	296.21	232.59	240.88
World Ex. US (1709)	165.63	0.8	157.50	105.07	135.55	127.58	0.6	2.01	164.33	156.19	104.29	134.79	126.63	176.65	152.65	153.68
World Ex. UK (2018)	169.20	0.5	160.89	107.34	138.46	141.73	0.5	2.14	168.28	159.95	106.80	138.04	141.02	178.59	160.95	161.66
World Ex. Japan (1754)	182.40	0.3	173.45	115.71	149.27	173.82	0.2	2.96	181.89	172.88	115.43	149.20	173.18	185.20	176.94	181.24
The World Index (2222)	171.21	0.5	162.81	108.61	140.11	145.44	0.5	2.34	170.31	161.87	108.08	139.70	144.71	180.80	164.12	164.59

Latest prices were unavailable for this edition. Market closed 5/12/94: Thailand. Please note: Routine quarterly changes will be announced shortly, following the FT-AWI Policy Committee meeting.